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# FINANCIAL TIMES

No. 27,588 Monday June 19 1978

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## NEWS SUMMARY

**GENERAL**  
**Kidnap priest returns home**  
Father Hugh Murphy, the Roman Catholic priest kidnapped by the Ulster Freedom Fighters, turned up in his own parish alive and well last night. He is thought to have been kidnapped in revenge for the abduction of RUC Constable William Turbitt.

**BUSINESS**  
**Building society merger opposed**  
The merger to create the country's seventh largest building society, with assets of about £1.2bn. Back Page

**Sadat offers compromise**  
President Sadat of Egypt would agree to slight border modifications and the presence of Israeli garrisons in the West Bank after the conclusion of a peace treaty. A protocol released last night of a meeting between President Sadat and Mr. Shimon Peres, Israeli opposition leader, says that the Egyptian leader recognises different security considerations for Sinai and the West Bank. Back Page

**PM outlines election policy**  
The Prime Minister has called on the Labour Party to prepare for a General Election campaign on a programme of national harmony and economic prosperity. After defining what he saw as a Labour Government's tasks for the 1980s, he told a rally in Brecon, Wales: "You can't build for the 1980s on the theories of the 1930s as Sir Keith Joseph and other Tories are proposing." Back Page

**Peruvian arrest**  
General Leonidas Rodriguez, leader of Peru's Revolutionary Party, was arrested yesterday after voting for the proposed constituent assembly, adding weight to fears that the projected return to a democratically elected civilian government will prove abortive. Page 2

**Belgian solution**  
The Belgian political crisis appeared to be near a solution yesterday after weekend talks between members of the four-party coalition. Mr. Leo Tindemans, who threatened last week to resign as Prime Minister, said that the Government had now agreed on measures to deal with economic problems. Page 2

**World Cup results**  
World Cup (Argentina). Group A: Italy 1, Austria 0; Holland 2, West Germany 2. Group B: Poland 1, Peru 0.

**Penny salary**  
The Rev. Tony Clements, director of a £100,000-a-year African youths business, is to become priest for his village of Riney, Norfolk. He will be paid a year in Oxford, training vicars from Wycklife Hall failed to beat the world conga dancing record.

**Briefly**  
\$90,000 weekly premium bond prize won by bond LPK 721350. The head of South Africa's Bureau of State Security has been refused a visa to visit the U.S. Andy North, a 28-year-old, Wincanton-born professional, is the new U.S. Open Champion. His one-over par total of 285 gave him a one stroke advantage over Dave Stockton and J. C. Snead. Page 12

**Unions demand more jobs**  
TRADE UNION leaders from western Europe and the U.S. have warned that workers will stop co-operating in raising productivity or in rationalising industry unless governments act swiftly to increase job opportunities. Page 7

**Singer**  
The U.S. multi-national manufacturing company, is to hold talks in London this week on the future of the company's Clydebank sewing machine factory, and plans will be put in the 4,800 workforces on Thursday. Page 4

**Visiting foreign businessmen**  
can expect to spend \$53 a day in London, a 15 per cent increase on the previous survey. For every \$100 spent in London, an executive would spend \$135 in Brussels, \$117 in Zurich and \$228 in Kuwait. Page 5

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## EEC takes tough line to protect its steel industry

BY ROY HODSON

**Tough new measures have been agreed between the European Commission and member governments of the Nine to protect the European steel industry. They include punitive fines to be levied on low-priced imports, and the impounding of suspect steel cargoes at EEC ports of entry by customs officials.**

The measures are being coupled with a new deal with the north Italian independent steelmakers—the Bresciani—in an attempt to save the EEC Davignon Plan. Introduced by Viscount Etienne Davignon, European Industrial Commissioner, the plan includes price stability and controlled production but flaws have now appeared in the strategy.

There is evidence of European steel companies breaking the Davignon rules by under-cutting recommended prices and increasing steel production beyond agreed limits. The new arrangements proposed by the EEC and backed by the Davignon rules by under-cutting recommended prices and increasing steel production beyond agreed limits.

A sales agency is being set up by the Italian steelmakers this week in Milan, to act as the monitoring authority for exports. An EEC official will be resident in the office.

**Sales curb**  
British steel industry representatives have concluded an arrangement to limit tonnages of bars and light sections to the Italian companies into the British market to roughly half former levels.

Similar deals have been made by the other EEC national steel industries. If new arrangements with the Bresciani stick, a major source of pressure upon the

## Crucial trade pact talks open

By Jurek Martin, U.S. Editor

**WASHINGTON, June 18.** MINISTERS representing most of the major industrialised countries began three days of talks here today which are likely to be crucial in determining whether an international trade agreement can be reached by the Bonn economic summit in a month's time.

According to Mr. Robert Strauss, the U.S. Special Trade Representative, the chief aim of the negotiations is to narrow the outstanding differences separating the parties.

Both U.S. and European sources stress that it will not prove easy to resolve the most difficult sticking points—particularly the questions of access for agricultural products, subsidies paid to domestic industries by national Governments, and "safeguard" measures that might be applied selectively against the products of another country.

The U.S. would still like to reach a final agreement by the July 15 deadline set by Mr. Strauss to strengthen the deliberations of the seven Heads of State, plus the European Community, who are due to meet in Bonn three days later.

**Backing**  
But if that goal is not met, Mr. Strauss, who is acutely conscious of the fact that any trade pact must be acceptable to the U.S. Congress, may pass the matter to the Heads of State in Bonn for final resolution.

All the parties generally agree that the trade pact must have political backing at the highest level to heighten its international acceptance and to act as a cohesive influence when officials haggle over the fine print later in the year.

Besides the three outstanding issues of agriculture, subsidies and safeguards, the Ministers this week will be discussing differences in customs valuations.

They will also discuss the state of the steel industry worldwide, including the possible creation of an international steel monitoring committee, the use of trade measures for balance of payments purposes and the demands of the developing countries.

Mr. Strauss is heading the U.S. delegation, Mr. Willem Rastkamp, vice-president of the Commission, is representing the EEC. Mr. Nobuhiko Ushio, Minister for External Economic Affairs, Japan and Mr. Jack Warren, Trade Co-ordinator, Canada.

World trade talks, Page 14

## Germans give warning on Boeing offer

BY ADRIAN DICKS

BONN, June 18.

**THE ENTIRE future of the European aerospace industry would be put at risk if Britain accepted the offer of co-operation made to it by Boeing, rather than joining in the long-term offer of partnership with Europe which would follow participation in the A 300 B10 version of the European Airbus.**

These are the considered views of senior West German officials responsible for aerospace policy, and they have been expressed emphatically by them to the British Government. Among the risks Britain would take would be that of exclusion from future joint military aircraft programmes.

German officials are anxious not to make the reference to co-operation on military aircraft sound like a threat to Britain. But they clearly feel that the UK cannot turn its back on civil airliner co-operation and expect this to have no effect on the much larger military sphere where European governments are slowly feeling their way towards more permanent aerospace collaboration.

While the Germans have shown much understanding for Britain's dilemma over whether to "go Boeing" or to join the Europeans and have also shown restraint in their public comments, officials here leave no doubt of their deep concern.

It is accepted that the Boeing offer of partnership in the proposed 757 airliner would provide more jobs in Britain in the short term and would also give immediate prospects of work to Rolls-Royce. By contrast, there is now little chance that the B10 version of the European A300 airliner would provide a role for the British engine manufacturer.

**Equal terms**  
What worries the West German Government, however, is that too little weight is being given to the longer-term implications of a relationship with Boeing that it is felt here, would offer Britain no more than sub-contractor status.

The Germans strongly contend that Europe has come to seem an attractive partner for the U.S. aerospace companies precisely because it has, with the present versions of the Airbus, begun to prove itself a successful competitor on the commercial as well as on the technical level.

In the German view, only the maintenance by the European aerospace industry of a strong, independent technological base from which commercially viable projects can be launched, will Steel Corporation handles the both guarantee the future of what should be a growth sector and enable European government-proposed new industrial estate.

**Shelton works land sale plea**  
THE UNION action committee at Shelton Steelworks, Stoke-on-Trent, wants the right to sell the land when the plant closes next Friday.

It fears that if the British Steel Corporation handles the sale, speculators will move in what should be a growth sector and delay the development of a proposed new industrial estate.

## TUC seeks shorter week for manual workers

BY CHRISTIAN TYLER, LABOUR EDITOR

**THE TUC is to tell the Government that its best hope of restricting wage rises to less than 10 per cent in the next bargaining round is to permit a two-hour cut in the working week without loss of pay for manual workers.**

This is intended to be the heart of the understanding that Ministers and many senior union general secretaries expect to reach next month before Phase Three of the incomes policy expires on July 31.

Although there will be no talk of a formal Phase Four, another year of silent TUC acquiescence in the Government's earnings target is in prospect.

**Pressure on Saudi Arabia and Iran to raise oil prices**  
BY RICHARD JOHNS

**SAUDI ARABIA and Iran** are under heavy pressure from other petroleum producers to agree to some increase, if only a nominal one, in oil prices to compensate for the depreciation of the dollar.

This evening Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, drove to the airport to meet Crown Prince Fahd and tonight he was understood to be holding urgent consultations with him.

Any concession to the demand for compensation for producers' losses because of the dollar's decline would require the assent of Crown Prince Fahd, who is the final arbiter of the kingdom's petroleum policy.

His stop-over here, en route to West Germany, where he is paying an official visit later this week, was scheduled but his meeting with his Oil Minister was more than a formal exchange, according to Saudi sources.

As the restricted meeting of heads of delegations broke up tonight Mr. Ali Jaidah, OPEC Secretary General, said: "We have discussed the dollar and inflation. So far we have not reached any conclusion. We meet again tomorrow."

Thus the conference, which many expected to last only until Saturday, will enter its third day with only qualified hopes of agreement being expressed by delegates.

Before going into this afternoon's session, Dr. Mohammed Yeganeh, head of the Iranian delegation, gave the clearest indication of greater flexibility when he said somewhat ambiguously that there would be no price rise "relative to inflation."

Continued on Back Page

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## THE RUBBER GROWERS' ASSOCIATION LIMITED

ANOTHER GOOD YEAR FOR PRODUCERS

### PROGRESS TOWARDS AN INTERNATIONAL RUBBER PRICE STABILISATION SCHEME

Mr. R. G. DAWSON ON THE RELATIONSHIP BETWEEN PRODUCERS AND CONSUMERS

The Annual General Meeting of The Rubber Growers' Association Limited was held on June 16 in London.

Mr. R. G. Dawson, O.B.E., the Chairman, presided and opened the proceedings by paying tribute to the Association's Special Representative in Malaysia, Tan Sri Sir Claude Fenner K.E.C.M.G., Q.P.M., P.M.N., D.P.M.B., and asking those present to stand in silence in his memory.

In the course of his speech, Mr. Dawson said:

Commodity Prices and Prospects  
As a result of a combination of circumstances the price of rubber varied considerably less over the year under review than has often been the case. After a slow decline to a low point of 157 cents per kilo FOB at the end of June 1977, there was a fairly rapid recovery to a high of 221 cents per kilo in September; this peak was not, however, maintained and the latter part of the year saw a return towards the June price level—giving an average price for the year of almost 200 cents per kilo which can be regarded as satisfactory. I am happy to be able to add that the current year has seen another rise, culminating early this month in a figure of 230 cents per kilo, the highest price reached since 1974.

The decline in the price of palm oil which was generally forecast did take place, and from the high point of £386 per metric ton CIF reached in April 1977, the price fell until it reached a low of only £235 per ton in October. Nevertheless, the average for the year was still £300 per ton which, although nothing spectacular, is still considerably higher than was forecast and was not unremunerative to efficient producers. During the present year, the price has recovered somewhat with recent quotations in the region of £330 per metric ton.

Members of the Association do, of course, grow a number of crops other than rubber and oil palm, and one which has been of considerable prominence is cocoa. This, particular crop, although undoubtedly at the present time more financially rewarding in terms of return per acre cultivated than either rubber or oil palm, demonstrated during the past year the kind of volatility in market price which is an anathema to producers and consumers alike. In July 1977, the price of cocoa beans reached an astronomical £2,400 per metric ton only to decline by December to £1,825 per ton—a decline which continued in the early months of this year to reach a low point of £1,325 per ton. Since that date there has been a brief recovery to almost £2,000 per ton, but recently the market has declined and latest prices are in the region of £1,850. So much is history. But what of the future? I would not venture to express any opinion as to what might happen to cocoa prices. For rubber, however, the picture appears to be simple enough to expect that, as always, every pound produced will be sold and that the price at which it will be sold during the current year will remain at least at or about its present level; indeed, I should not be surprised to see prices move gradually higher.

In respect of palm oil, the outlook is less clear. There are a number of particular factors affecting this market, such as the considerable increase in refining capacity in Malaysia and a re-evaluation of anti-palm oil propaganda in North America. However, the interrelationship between oil and rubber prices generally being largely determined by how the total edible oil market behaves and this, in turn, depends on the production and crop developments of very many crops in very many countries. With a very sharp rise in world edible oil production this year of 2.6 million tons and prospects of a record U.S. soybean crop later this year, we should perhaps be prepared to see a decline in palm oil prices in the fairly near future. In the longer term, the most authoritative data available, that prepared for and by the FAO, suggests that there is likely to be, in the next few years, a surplus of supply over demand in the world market for fats and oils. It seems quite certain that for palm oil there is no immediate prospect of any buffer stock or other international agreement for controlling world prices and, therefore, would expect to see natural market forces resulting in a decline in the price producers of oil palm products may expect to receive.

International Price Stabilisation Schemes  
It may be appropriate, at this point, to comment in slightly more detail upon the developments relating to the International Rubber Price Stabilisation Scheme. It is only in the case of natural rubber that discussions have actually reached the point of becoming negotiations. This satisfactory state of affairs is due mainly to the fact that the producer nations offered a reasonable basis for an Agreement and the consumer nations have been prepared to build thereon. The Association can take a certain amount of credit also, in providing an Adviser to both the UK Government and to the EEC, who has

been able to afford valuable liaison between the various—and sometimes opposing—points of view which have emerged. Nevertheless, it should be realised that there is still a long way to go, and a lot of work to be done before a viable Agreement is reached—and it will not be before the end of the year that we can be sure that the obstacles have been overcome. On behalf of the Association, I offer our good wishes for all those engaged in these delicate, but extremely important, negotiations.

I shall now comment on two or three issues which I believe to be of particular interest. Relationship between Producers and Consumers  
The first such issue is the whole question of the relationship between the producers and the consumers of the commodities in which we are interested. Members of this Association are vitally concerned with this problem as it develops in the context of the emergence of the Developing Nations and their increased and increasing demand for what has been called a New Economic Order which is embodied in one sense by Malaysia's own New Economic Policy and in another by the remarkable polarisation between the "have" and the "have not" nations. On the one hand lies the entirely natural desire of producing countries to control completely their own economic resources, and on the other the equally natural desire of the consuming countries, which can also be the source of both capital and know-how, to make certain of obtaining the goods and services they require, in the form they require, and at prices as low as possible. It is my belief that the answer must lie—as it so often does—somewhere between the two extremes. No one, least of all members of this Association, would object to countries which rely on agriculture as the mainstay of their economy having control of their own resources; equally, it must, I feel, be accepted that in this market as in every other, the consumer and not the producer must be the final arbiter as to the form and nature of the product being sold. It is the task of the producer to be competitive.

This concept is extremely relevant to developments in Malaysia, where, and quite rightly, the greatest emphasis is put upon maintenance of the quality of the product. The RMH has earned itself a wide reputation as the guardian of natural rubber quality and the pioneer in advanced techniques of production and packaging. Malaysia is now on the verge of establishing a new Palm Oil Research Institute to do, we sincerely hope, for the oil palm industry what the RMH has done for the rubber industry. The new Institute has been set up at the instigation of, and will be financed by, the producers; I trust that it will also appreciate, and be guided by, the basic requirement to meet consumer needs.

I would like to take this opportunity of extending my thanks to my colleagues and understanding while he occupied the post of Minister of Primary Industries and our very best wishes for success in his new post as Minister of Education. I am also happy to say that some members of the Council have already had the pleasure of meeting here in the UK, the new Minister of Primary Industries, Datuk Taib. I am confident that the Association's relationship with our Ministry will remain as close and as friendly as it has been in the past—the more so as Datuk Taib is no newcomer but has already previously held the appointment as Minister and therefore is exceptionally well acquainted with the plantation industry's aspirations and problems.

Among those problems, shared by both the rubber and oil palm industries, is that of obtaining modifications to the tax structure which are needed to reflect present-day conditions and remove anomalies which discriminate against producers. The last Budget did indeed provide a measure of relief, which it is hoped will be only a starting point for further improvements; in particular, the palm oil industry is hopeful that in the near future agreement can be reached upon how forward contracts for the sale of palm oil may be regulated.

Another major problem which has still to be resolved lies in the requirement to meet the Malaysian Government's standards, recently laid down, for limiting pollution of the environment. This problem will require the full attention of the scientists of both industries if the very proper demands for anti-pollution measures are to be met without incurring expenditure which would make production unprofitable and therefore unviable.

The Chairman concluded by paying tribute to the work done by and the support he had received from his colleagues on the Council, Committees and Panels of the Association and the Director and Staff of the Secretariat.

## PRODUCERS' NEWS

### EEC FINANCE MINISTERS MEETING

## Consensus on recovery unlikely

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

FINANCE MINISTERS of the nine Common Market countries held their last meeting before next month's Bremen and Bonn summits in Luxembourg today. Amid indications that they are unlikely to reach any major new decisions on the shape of a possible EEC economic recovery package.

The European Commission has already decided to draw earlier plans to recommend specific national growth targets for each of the nine economies. This follows the failure by Ministers of the 24 member countries of the Organisation for Economic Co-operation and Development to agree on any growth commitment when they met in Paris last week.

Instead, M. Francois-Xavier Ortoli, the Commissioner for Economic Affairs, will merely report on the outcome of private talks which he has held with EEC governments during the past few weeks. The Ministers may then draw up a statement on the general desirability of attaining higher growth rates to be submitted to the Council of Foreign Ministers when they make the final preparations for the Bremen summit later this month.

The continued reluctance of Germany and some other EEC governments to enter into any firm commitments to stimulate their economies is clearly disappointing to Britain, which had previously hoped that a series of measures would be reached on this score by now.

Nonetheless, the Chancellor of the Exchequer, Mr. Denis Healey, is reported to be confident that the principle of concerted refinancing action is accepted by Britain's EEC partners and to remain hopeful that Germany will decide on some additional stimulative measures later this summer.

Few EEC governments appeared poised, however, to boost their economies at present. Indeed, the recent introduction of more restrictive fiscal measures in Britain, combined with budget-cutting moves in Belgium and the Netherlands, point to a generally more deflationary attitude.

While the French Government is trying to boost business investment by freeing price controls,

its policy of maintaining strict limits on wage rises also seems likely to dampen demand.

Much of tomorrow's discussions are likely to focus on technical proposals for possible EEC currency arrangements. The signs are that Mr. Healey will be ready to discuss the proposals in some detail but will wish to hear the German Government's views before declaring his own hand.

Before the ministers will be a report by the EEC monetary committee suggesting options for currency arrangements. The report was drawn up in the wake of the EEC "summit" last April, at which Chancellor Helmut Schmidt argued strongly for an EEC initiative in the currency field.

Mr. Carter's human rights campaign was described as "disastrous for mutual confidence" and the U.S. was accused of pursuing a "neoliberalist, neoconservative policy" towards Africa, especially in Zaire, Russia and Cuba have repeatedly denied involvement in the Zaire fighting.

Although unsigned, analysts in London said the editorial bore the clear imprint of Mr. Alexander Bogdanov, a senior Soviet commentator on U.S. affairs, who is believed to be close to the Soviet President, Mr. Leonid Brezhnev. The editorial was clearly approved at the highest level within the Kremlin.

Mr. Carter's speech at Annapolis had confused rather than clarified relations between the superpowers by his speech at Annapolis. His remarks had been carefully studied in Moscow, it said, but his policy was based on a contradiction between his continued assurances of loyalty to

detente with unceasing attacks on the Soviet Union.

Some Administration officials said the editorial was pointing so obsessed with the Soviet threat that they deliberately threatened China.

It came in an authoritative 5,500-word editorial published in all of the main Soviet newspapers at the weekend, including the Communist Party organ Pravda.

The attack had two principal targets: President Carter's recent speech at Annapolis, naval academy outlining his policy towards Moscow, and the accusation by Mr. Zbigniew Brzezinski, the President's National Security Adviser, during a visit to China last month, that the Soviet Union

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## WORLD TRADE NEWS

## Australia hopes to raise iron ore exports to China

By JOHN HOFFMANN

PEKING, June 18.

THE LIKELIHOOD of significant new sales of Australian iron ore to China is very strong, according to Australian officials in Peking. The forecast was made on the eve of the arrival of an Australian Government-sponsored iron and steel mission for a three-week visit.

Members of the mission, due in Peking late tonight, represent most of Australia's major iron ore miners and steel producers.

High hopes for further iron and steel sales to China emerged several weeks ago during a visit by the Australian Minister for Industry and Commerce, Mr. Lynch.

He was assured in talks with metalurgical and trade officials that China would need greater quantities of imported iron ore

to support its plan to increase annual steel production from 250,000 tonnes to 500,000 tonnes by 1985.

In the 1977 calendar year Australia sold to China more than 300,000 tonnes of iron ore worth more than \$300m. The Australian Minister for Trade and Resources said this figure was expected to be 4m tonnes in 1978.

In Peking this weekend the Australian Ambassador, Mr. C. Woodard, said Chinese imports of iron, steel and ore were already at their highest levels.

A secure position to press for further orders for iron and steel as well as iron ore, China is building ten new steel plants as part of its modernisation

and industrialisation programme, but its demand for finished and special steels will lag behind production for some years.

Already Australia counts as one of China's most important sources of iron ore. China has vast resources of its own but of a low grade, but high-grade Australian ore, with its iron content about 60 per cent, has been mixed with local ore to upgrade it.

The proportion of Australian ore going into the furnaces is believed to be between 10 and 20 per cent. These figures suggest a potential demand for at least 10m tonnes a year of high-grade imported ore when China reaches its annual production goal of 500,000 tonnes.

## Fraser gets support in SE Asia

By Wong Sulong

KUALA LUMPUR, June 18.

AUSTRALIA'S PRIME Minister, Mr. Malcolm Fraser, who has been visiting the U.S. and Europe for the past two weeks, pressing for a better deal for Australia in the current Multinational Trade Negotiations in Geneva, today won the support of Malaysia and Singapore.

Mr. Fraser and Singapore's Prime Minister Mr. Lee Kuan Yew flew into Kuala Lumpur today and held three hours of talks with their Malaysian counterpart, Datuk Hussein Onn, mainly on the state of international economic negotiations.

The three premiers, said they had agreed to hold close consultations and adopt a common approach at the MTN talks.

## Morocco to cut imports

By Our Own Correspondent

RABAT, June 18

THE DECISION by King Hassan of Morocco taken early this month to slash imports by 20 per cent in the next three years, takes effect tomorrow when restrictions are imposed on the import of some 500 products half of which will be simply banned.

Prohibited imports now include a variety of foodstuffs, confectionery, household appliances, clothing, papers, cars, motorcycles and cycles. Many of these items are made or assembled in Morocco. Others (notably foods) are considered luxuries.

The Export Credits Guarantee Department has agreed to guarantee the repayment and funding of a \$15m line of credit to be made available by Samuel Montagu, acting on its own behalf and for Lloyds Bank International and Lazard Brothers, to Banque Marocaine du Commerce Extérieur of Morocco (BMCE).

## DUTCH CONTRACTORS

## Looking beyond the Middle East

By CHARLES BATCHELOR IN AMSTERDAM

DUTCH CONSTRUCTION companies have started to look beyond the Middle East for new market opportunities. Many major building contracts still have several years to run to completion and the largest one yet, worth about \$1.1bn (\$450m) for a university complex at Riyadh in Saudi Arabia, has still to be awarded. But after only a few years of hectic activity as oil states spent their newly acquired wealth, the Dutch have begun to search for new opportunities.

These lie in the development of new geographical areas and equipment and techniques to handle new tasks. Deep sea mining and dredging will be one of the growth areas of the next 10 years if the investment activities of Holland's building companies are anything to go by.

The Middle East boom years were a period of strong growth for companies such as HOLLANDSCHE Beton Groep, Stevin Groep, Bos Kallis Westminster, Ballast-Nedam and Adrian Volker.

South Korea, Taiwan, Greece, and Yugoslavia has reduced margins. Executives of the Dutch construction companies admit they cannot compete with the prices quoted by many of these countries whose workers are often prepared to accept semi-military discipline in their work camps. Dutch employees have higher than average expectations when it comes to home leave and salaries.

DUTCH CONSTRUCTION GROUPS IN 1977 (Guildders)			
Group	Turnover (bn)	Net profit (m)	Order book (bn)
Hollandscbe Beton Groep	2.44	48.6	3.4
Stevin Groep	1.79	31.3	2.2
Bos Kallis Westminster	1.32	44.9	2.5
Ballast-Nedam	1.21	17.4	5.3
Adrian Volker	1.01	40.1	1.5

have a big role to play. Ogem, shipping company PHS Van Ommeren as forwarding agent to handle its transport problems.

Adrian Volker, a sizeable contractor which until recently was a non-quoted company, announced earlier this month that it is studying the possible integration of some of its activities with another Dutch company, HVA. HVA has interests in consultancy, management, engineering and contracting in the agro-industrial sector.

Seven specially modified bulk carriers are engaged in a constant shuttle over 18 months to get the components to the building site to meet the tight construction schedule. Contracts like this not only require the shipment of bulk items—Ogem also has to watch over the details and ensure there are pencils in the desks.

Stevin also wants to extend its role in projects of this kind and hopes to be involved from the design stage through to the

management of the completed contract instead of simply being called in to carry out the engineering work.

Ogem sees projects like this as the export of management know-how. Part of the attractiveness of Dutch contractors to Middle East customers is their ability to arrange the back-up services needed to carry out these projects. Ogem has its own transport division but turned to the largest Dutch shipping line, Nedlloyd, to arrange the transport of many components to Rotterdam by road and barge and then to Damman by sea-going vessel. Shortly after signing its \$1.47bn contract to construct two townships in Saudi Arabia, Ballast-Nedam appointed the

## Greece seeks Arab investment

By OUR OWN CORRESPONDENT

ATHENS, June 18.

MORE than 100 leading Arab bankers and investors, lawyers and economists are expected to participate in the first Greek-Arab investment meeting, said Arab Development and Economic Co-operation with the Arab Countries (CDC) which is organising the meeting, said that the first Greek-Arab investment meeting is to be held in Athens next week.

The purpose of the meeting, which is under the auspices of Mr. Constantinos Mitsotakis, the Greek Minister of Co-ordination, is to explain to Arab participants the opportunities that Greece offers to Arab investors in the various sectors of the Greek economy and also to point out the favourable investment conditions and incentives available.

Prof. Ioannis Georgaklis, Greek Ambassador at large for the Arab countries and chairman of the Hellenic Chamber for projects in tourism, agriculture

(in the processing of fruits and vegetables) as well as in shipping.

Mr. Walter Buchholz, director general of the CDC, said the organisation's aim was to act as a matchmaker between Greek companies seeking Arab capital either through equity participation or through loans and potential Arab investors participating in the meeting.

Mr. Buchholz said the Arab participants who have confirmed they will attend the GAIM come from all of the major oil-producing Arab countries and particularly from Saudi Arabia, Kuwait, Bahrain and Egypt. There were also participants from the United Arab Emirates, Jordan, Syria, Lebanon, Oman and Libya.

## SHIPPING REPORT

## Japan may soon use tankers for storage

By Lynton McLain, Industrial Staff

AGREEMENT WAS almost reached last week between the Japanese Congress and tanker owners on the use of super-tankers for storage.

The move is designed to remove excess capacity from Japan's oil tanker fleet in an attempt to improve cargo rates for owners.

Tanker owners are to be asked to tender in the early part of July, with the first 10 very large crude carriers lifting their cargoes in September. The following 10 suggested in the proposals for storage may then enter storage in October. Hire for storage would be at a rate of \$400 per deadweight ton.

In the Gulf, 47,500 dwt tons are now idle or expected to be decommissioned. Brokers said last week the figure was now approaching a record high.

The volume of tanker tonnage heading for the scrapyards slowed last week, as a result of the bottleneck in yards in Taiwan, where vessels were queuing-up to enter harbour. Scrap prices have declined and brokers are not optimistic of an early solution to the bottleneck.

Rates for oil tankers chartered from the Gulf remained unchanged last week. Worldscale 16.75 was the best that was reported for ultra large crude carriers and Worldscale 20 for VLCCs. The use of smaller ships has not materially altered, with 110,000-ton cargoes moving to Quebec at Worldscale 40.

Dubai has been the only market to hold up with cargoes covered for Eastern and Western destinations. A 110,000-ton vessel was fixed at Worldscale 42.1 for a voyage to the West, to the 32,000-ton cargo was moved to Japan at Worldscale 57.

Inquiries from the Mediterranean were slightly more abundant. Ships did not find it too difficult to obtain cargoes last week. The main destination was the U.S. Cargoes for West African loadings have been scarce, with few fixtures reported.

Most of the U.S. bound cargo charters came from New York. Galtbraith, Wrightson, London brokers said the market on the London market picked-up on Friday, but there was no hope that the conditions would continue an upward recovery in charter rates.

On the sale and purchase markets, prices for bulk carriers hardened towards the end of last week. The best example quoted by London brokers was the reported sale of the British flag bulk carrier, "Edward Champion," 24,846 dwt, built in 1973. This was sold for \$544m, compared with the price for a sister ship last month of \$41m.

On the dry cargo market, rates have eased, although not across all vessel sizes. In the Atlantic, a 60,000 cargo of grain was fixed for a voyage from the Gulf to Europe at \$6.75, 75c down from peak levels. Rates were slightly better in the Far East.

**Cranes for Taiwan**  
Contracts valued at \$8m for manufacture and erection of four dockside container handling cranes have been won by Canon of Montreal, Robert Gibbons reports. The cranes are destined for Kaohsiung, Taiwan's largest port, and will replace others destroyed in a typhoon last year. The contracts are due for completion this year.

## Contracts

DJB Engineering has received an order worth \$2.3m, for 12 D550 articulated dump trucks. The order has been placed by the Saudi Arabia. Italconsult, a one of DJB's Texas dealers Mustang Tractor and Equipment Company, Houston, which has sold the trucks to Brown and Root in the U.S. The D550s which have a capacity of 55 tons are for use on a major construction project.

CAE Electronics Ltd., a unit of CAE Industries of Toronto, said KLM Royal Dutch Airlines had ordered five aircraft flight simulators valued at about \$8m. Johnson Matthey Metals has received an order for five hydrogen generators for the Royal Dutch Army. The equipment will be similar to that supplied to the British Army in 1977. Delivery should be completed within 12 months. The trailer-borne G4M systems produce ultra-pure hydrogen on-site for the inflation of balloons used with artillery meteorological systems.

Italconsult of Italy has received a contract for projecting

## World Economic Indicators

TRADE STATISTICS				
	May 78	April 78	March 78	May 77
UK £bn.	Exports 2.877	2.800	2.829	2.616
	Imports 2.777	2.777	2.777	2.860
	Balance -0.169	+0.223	-0.279	-0.244
	April 78	March 78	Feb. 78	April 77
U.S. \$bn.	Exports 11.600	10.900	9.922	9.970
	Imports 14.500	13.700	14.439	12.593
	Balance -2.900	-2.800	-4.517	-2.623
France Frbn.	Exports 29.426	31.133	28.611	26.596
	Imports 28.734	28.941	28.547	27.462
	Balance +0.692	+1.192	+0.064	-0.866
W. Germany Dmbn.	Exports 23.9	24.6	21.4	21.9
	Imports 20.6	20.4	18.7	18.9
	Balance +3.3	+4.2	+2.7	+3.0
Italy Lire bn.	Exports 3.824	3.502	3.051	3.446
	Imports 3.813	3.762	3.133	3.646
	Balance +0.011	-0.260	-0.082	-0.500
	March 78	Feb. 78	Jan. 78	March 77
Holland Flbn.	Exports 9.423	8.662	9.317	9.610
	Imports 9.558	8.886	9.365	10.111
	Balance -0.135	-0.224	-0.048	-0.501
	Feb. 78	Jan. 78	Dec. 77	Feb. 77
Japan \$bn.	Exports 7.260	7.590	8.469	5.773
	Imports 4.930	5.205	5.274	4.738
	Balance +2.330	+0.375	+2.675	+1.035
	Jan. 78	Dec. 77	Nov. 77	Jan. 77
Belgium B.Fr.bn.	Exports 111.545	120.476	107.778	99.689
	Imports 118.210	117.995	120.257	111.788
	Balance -6.665	+2.481	-12.479	-12.099

Under the provisions of the Gaming Act 1968 a licence has been granted for THE RITZ CASINO at The Ritz Hotel, Piccadilly, London W1 opening 28th June, 1978. Members only.



## Mini-cassette 2 Re-markable.

Philips' new dictation system features the amazing new Mini-cassette 2; the first cassette with built-in, re-markable indexing strips. One on each side. The strip is a specially-developed laminate on which you can make marks as you dictate simply by pressing a button. And they are erasable. So you can use the cassette indefinitely.

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Survey

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cassette dictation equipment range are compatible with Mini-cassette 2 for recording and playback. Which is the sort of thoughtfulness you'd expect from the world's leading supplier of dictation equipment.



## HOME NEWS

## Business trip to London

now £53 a day

IT NOW costs a visiting foreign business executive more than £50 a day to stay in Britain, according to a new survey.

That does not include any provision for expense-account entertaining while he is here, the magazine *Business Traveller* says. The cost of a good hotel room and bath, "decent" meals, taxi and underground fares, newspapers, laundry and telephone calls mounts up to £53 daily, it says.

## Cheaper city

Although this represents a 15 per cent increase in the past eight months, London is still one of Western Europe's less expensive cities for foreign business visitors.

For every £100 the executive spends in London, the survey finds that he would have to spend £135 in Brussels, £113 in Paris, £121 in Amsterdam and £117 in Zurich.

The cost in New York is actually 4 per cent less than in London, while the cheapest European city is Lisbon, £44. The most expensive in the world is Kuwait at £226.

## Army show billed as biggest

Financial Times Reporter

THE FIVE-DAY British Army Equipment Exhibition, which opens today in Aldershot, has been billed as the largest venture of its kind ever.

Representatives of more than 90 nations, including the Chinese on their first official defence visit, will see over 10,000 exhibits, including Chieftain tanks.

About 250 companies, as well as the UK Government-owned Royal Ordnance Factories, will be at the private exhibition, now held every two years.

The size of the show indicates the scale of Britain's arms sales overseas. Sales have been running at an estimated £1bn or more for the last two years.

## Receipts of National Savings down £55m

BY ERIC SHORT

NATIONAL SAVINGS investment declined substantially last month, in spite of the continued popularity of National Savings Certificates.

Provisional figures issued by the Department for National Savings show net receipts of £81.5m last month, compared with £137.4m in April.

This brought total net savings—excluding accrued interest—in the current financial year to £219.2m, as against £295.9m in the corresponding period last year.

Net receipts for National Savings Certificates amounted to £47.6m. Although these are lower than April's figure of £58.1m, the investing public was still taking advantage of the continued availability of the 14th issue, yielding 7.55 per cent net.

The recent increase to £3,000 in the maximum individual holding takes effect on July 1.

Average monthly sales in the last financial year of National Savings Certificates amounted to about £22m.

The most telling feature in last month's decline in receipts was a strong withdrawal of funds from the National Savings Bank investment account, coupled with smaller amounts being invested.

Overall, there was a small net outflow of £0.1m in May, following more than 12 months of steady positive cash flows into the account.

## Sluggish

This changeover probably represents action by certain investors in moving funds out of the National Savings Bank account into other sectors of the money market, which, after the recent rise in

interest rates, can now offer better returns.

The bank has always reacted sluggishly to interest-rate changes. When interest rates fell, many investors, including some financial institutions, took advantage of this sluggishness and invested in the Savings Bank because its rates were one of the highest then available in the money market.

This month is almost certain to see an acceleration of funds out of the Savings Bank investment account. Stockbrokers Joseph Schurz and other commentators have been making strong recommendations to investors to switch to other money-market sectors.

Overall, National Savings funds, boosted by accrued interest in May amounting to £35.5m, rose to £10.33bn by the end of the month.

## New moves on pollution urged

FINANCIAL TIMES REPORTER

A CALL for initiatives on pollution to be left to trade unionists, taking direct action at shop floor level, has been made in a Labour Party report on the environment.

Pollution controls could be backed by using to the full facilities created by recent employment legislation such as the Employment Protection Act and the Health and Safety at Work Act.

The report by the party's environment study group, is due to be presented to the Labour Party conference in October. It accuses some employers of trying to frighten workers into keeping quiet about pollution hazards.

Job losses have been

threatened where allegedly expensive anti-pollution equipment had to be installed, it claims.

The truth is not between jobs or health but between unrestrained profits or reasonable precautions.

The report also calls for public awareness of new areas of pollution, such as car exhausts, to be extended. "We suffer from environmental degradation, both at the workplace and in the home. Chemicals, dust gases, vapours, noise, vibrations, and radiations are no respecters of the family fence."

Industrial pollution "was the unacceptable biology of capitalism" and there should be a stronger role for the Health and Safety Commission.

"This central agency could be given a duty to use the considerable powers which exist to regulate and control many of the sources of pollution." Responsibility was now too fragmented.

Such a body could research into pollution and liaise with local authorities and other statutory undertakings.

"It should also have the power to intervene where existing authorities were unable or unwilling to provide effective action in specific circumstances—with this power possibly being subject to authorisation by a Minister."

## Building research 'being hit by cuts'

FINANCIAL TIMES REPORTER

CUTS IN public spending have severely affected Government research into the construction industry, Dr. Roy Rowe, director-general of the Cement and Concrete Association, says.

Many senior experienced researchers in Government laboratories have been lost,

mainly through early retirement, says Dr. Rowe in his 1977 annual report. "This is bound to have an impact on the nature and quality of that research and development work for many years to come."

The significance of industry-based research was bound to increase as a result, especially since the high cost of working out energy options in future would put growing pressure on the construction industry.

Energy conservation requirements in building should be more closely linked with the design process.

Building Regulations had adopted a "somewhat irrational attitude" by treating insulation in isolation, rather than as part of the total design process.

The association is a research body financed by the industry.

## Put houses on market says survey

By Christopher Dunn

HOME OWNERS are urged to put their houses on the market as soon as they think of moving in a survey of the UK property market by the Royal Institution of Chartered Surveyors.

This would help to reduce the shortage of houses for sale and prevent house prices rising said Mr. John Thomas, president of the Institution.

But prices were beginning to stabilise. New houses showed the biggest price increases.

Many people were carrying out improvements rather than buying another house.

"Ensure that the expenditure results in an increase in the property value of at least the cost of the work," Mr. Thomas said.

## Iran orders save Chrysler jobs at Coventry plant

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

CHRYSLER UK has won important new orders from Iran to safeguard jobs at its Stoke engine plant, Coventry.

Iran National, the State-owned motor corporation, requires 12,000 more sets of components for Paykan cars, assembled in Iran.

The demand comes after a recent "open day" when Iran National offered to sell the Paykan direct to customers because of complaints about a black market in the cars.

About 75,000 people queued and camped outside the plant, and to the west of Tehran, for up to two days. In a single day a year is nearing completion.

orders for 60,000 vehicles were received.

Chrysler UK, which supplies engines, gear boxes and other components for the Paykan now has a contract to supply 105,000 units this year.

The car, which holds about 70 per cent of the Iranian market, is to be given a facelift next year to produce a model with longer life.

Chrysler is committed to supply Iran up to the early 1980s in an agreement expected to guarantee jobs at Coventry for many years.

A £25m programme to modernise Iranian facilities and expand capacity to 150,000 units is nearing completion.

## Skye crofters offered land at 5p an acre

CROFTERS on the Isle of Skye have been offered the chance to buy their land for only 5p an acre. The offer comes from a Dutch landowner who bought the Waterish Estate on the island earlier this year.

Mr. Johannes Hellinga plans to farm two parcels of land on the estate and does not want ships on the Waterish Estate.

## Aircraft sprinklers call

A CALL for large passenger aircraft to be fitted with sprinkler systems was made yesterday by Mr. Brian Powell, station officer in charge of the Carlisle fire station.

This would give the aircraft protection at all times, which

the trouble of administering the crofts—so he has offered them to his tenants at give-away prices.

Already he has sold about 2,000 acres for only £100—or just 5p an acre—to one of the small townships that make up the estate. A similar offer has been made to the remaining five townships.

Access restrictions were hard to fight because of the system envisaged by Mr. Powell is a small-bore, high-pressure piping ring round all the main decks. It would be fuelled in flight by water from the aircraft's own supply.

## NEW INTEREST RATES

Following the recommendation of the Building Societies Association, Gateway Building Society will operate the following rates of interest from 1st July 1978.

Investment Shares	6.70% net = 10.00% gross*
Gateway Bonds (3rd Issue)	
(Two-year term investment)	7.20% net = 10.75% gross*
(Three-year term investment)	7.70% net = 11.48% gross*
Monthly Income Shares	6.70% net = 10.00% gross*
Monthly Income Bonds	
(Two-year term investment)	7.20% net = 10.75% gross*
(Three-year term investment)	7.70% net = 11.48% gross*
Planned Savings	7.95% net = 11.87% gross*
Deposit Accounts (Personal)	6.45% net = 9.63% gross*
Deposit Accounts	5.70% net = 8.51% gross*
(subject to basic rate tax)	
SAYE Bonus/Interest as before	
Savings Accounts (issue closed)	7.20% net = 10.75% gross*
Gateway Bonds	
(2nd issue now closed)	
(Two-year term investment)	7.45% net = 11.12% gross*
(Three-year term investment)	7.95% net = 11.87% gross*
(Four-year term investment)	8.45% net = 12.61% gross*

\* Assuming basic rate income tax at 33%

**GATEWAY BUILDING SOCIETY**

Member of the Building Societies Association  
Assets of £550 million. Authorised for investment by Trustees  
District Offices and Agents throughout the U.K.

For further details call in at your local Gateway Building Society Office or write to: Head Office, Gateway Building Society, P.O. Box 15, Worthing, West Sussex BN13 2QD.

## HOLYROOD RUBBER

Mr. Mathews' Statement

The 65th annual general meeting of Holyrood Rubber Limited was held on 16th June in London. Mr. D. R. Mathews (the Chairman) presiding.

The following is an extract from his circulated statement:

After serving the company for 41 years as a director, including 34 years as Chairman, Mr. Jack Addinsell retired on 31st March, 1978. Sir Finlay Gilchrist, O.B.E., who joined the Board in 1954, also retired last September. Mr. P. T. Gunton, J.M.N., and Mr. R. E. Bayler have been appointed to fill the vacancies. Both gentlemen are well qualified by their extensive experience in management of plantation companies, both having also served in the East for many years. Stockholders will wish me to acknowledge the outstanding services which the company has received from Mr. Addinsell and Sir Finlay Gilchrist.

Good rubber cropping results during the first quarter of 1977 were not maintained, mainly due to weather conditions, and the year's harvest, at 1,030,583 kg., was 31 per cent down on the 1976 figure. The surplus on trading was £57,082 and after bringing in investment income the pre-tax profit was £24,680, against £100,722 for 1976.

As the company has now been released from dividend limitation the Board is able to relate distributions more realistically to profits and we are recommending a final dividend of 26 pence per £1 stock unit making, with the dividend of 26 pence paid last February, a total of 52 pence per stock unit for the year. The dividends will cost £28,430 net.

We are pressing on with our policy of diversification into oil palms, the programme for this year being 58 acres. The visiting agent has reported satisfactory agricultural conditions and that our immature areas are growing well.

Prospects for 1978 depend, as always, upon the prices obtainable for our products but current estimates suggest that results may not be materially different from those of 1977.

The report was adopted.

AGENTS & SECRETARIES:  
HARRISON & CROSFIELD, LIMITED

## The Woolwich

## Higher Rates for Investors

The following increased rates of interest to investors will apply from 1st July 1978.

	Rate p.a.	Gross equivalent with income tax at 33%
Share Accounts	6.70%	10.00%
Monthly Income Shares	6.70%	10.00%
Savings Plan Accounts	7.95%	11.87%
Deposit Accounts (Ordinary/Personal)	6.45%	9.63%
Investment Certificates 2 year	7.20% (current issue*)	10.75%
3 year	7.70%	11.49%

\*The rate of interest on all other Certificates will be increased by 1.20%

**WOOLWICH EQUITABLE BUILDING SOCIETY**  
The safe place with the nice face.  
Equitable House, Woolwich, London SE18 6AB

## By the time it gets to New York, they'll be sold out.

You might just do it in time—given a battery of telex machines or phones, some luck with the lines and lots of perseverance.

No, far better to use a system specially designed for the job. The remarkable ITT 6100 ADX message switching system.

Type in a message: the ADX both stores it—on magnetic disc in a micro-computer—and rushes it automatically to all points in your network.

Virtually simultaneously.

And if any one's busy, it keeps trying regularly till it finally gets through.

It will even sort out your messages in order of urgency.

With private lines, the ADX can transmit

or receive across the globe in seconds. It works almost as quickly with the public telex system.

Banks and brokers use it, of course.

But so do car, paper and chemical companies, to keep track of their scattered networks.

Finally, recent technology has brought this sophisticated device within the means of a far wider market.

All the same, it still doesn't come cheap.

But without it, United Oil and the like will never come cheap either.

Sales Information Dept., Hollingbury,  
Brighton BN1 8AN. 0273-507111.

**ITT Business Systems ITT**

All these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

May 26, 1978

¥10,000,000,000

# EUROFIMA

Société européenne pour le financement  
de matériel ferroviaire

First Series Yen Bonds (1978)

due 1990

Coupon rate: 6.3%

Issue price: 99.50%

The Nikko Securities Co., Ltd.

Daiwa Securities Co. Ltd.

The Nomura Securities Co., Ltd.

Yamaichi Securities Company, Limited

The Nippon Kangyo Kakumaru Securities Co., Ltd.

New Japan Securities Co., Ltd.

Wako Securities Co., Ltd. Sanyo Securities Co., Ltd. Merrill Lynch Securities Company

Okasan Securities Co., Ltd. Osakaya Securities Co., Ltd. Yamatane Securities Co., Ltd.

Dai-ichi Securities Co., Ltd. Loeb Rhoades Securities Corporation Koa Securities Co., Ltd.

Koyanagi Securities Co., Ltd. Marusan Securities Co., Ltd. Tokyo Securities Co., Ltd.

Toyo Securities Co., Ltd. Yachiyo Securities Co., Ltd. The Chiyoda Securities Co., Ltd.

Ichiyoshi Securities Co., Ltd. The Kaisei Securities Co., Ltd. Kosei Securities Co., Ltd.

Maruman Securities Co., Ltd. Meiko Securities Co., Ltd. Mito Securities Co., Ltd.

The National Securities Co., Ltd. Nichiei Securities Co., Ltd. The Toko Securities Co., Ltd.

Towa Securities Co., Ltd.

Amsterdam-Rotterdam Bank NV

Credit Suisse White Weld Limited

Deutsche Bank Aktiengesellschaft

Smith Barney, Harris Upham & Co. Incorporated

Swiss Bank Corporation (Overseas) Limited Union Bank of Switzerland (Securities) Limited

## Financial Highlights

### 1977 at a glance

(in DM million)

Balance sheet total	16,378
Due from banks	5,669
Due from non-banks	7,991
Due to banks	6,728
Due to non-banks	1,041
Own bearer bonds	7,785
Capital and Reserves	412

## Good results in 1977

Badische Kommunale Landesbank, one of Southwest Germany's leading banks, registered good results in 1977. The balance sheet total reached DM 16.4 billion, an increase of 8.6% over 1976.

Our international activities continued to gain momentum in 1977, the Bank's 61st year in business. Badische Kommunale Landesbank International S.A., our wholly-owned Luxembourg subsidiary, began operations in July and got off to an excellent start. Its services are focused on short and medium-term Eurocredits and syndicated Euroloans, money market and foreign exchange transactions, and Eurobond trading.

Forfaitierung und Finanz AG, our subsidiary in Zurich

which concentrates on non-recourse financing (à forfait), short and medium-term trade financing, as well as other specialized financial services, also reported good results for the year.

Badische Kommunale Landesbank is a regional universal bank headquartered in Mannheim. As central bank of 69 Sparkassen in Baden, we are linked to Germany's powerful network of savings banks.

For a copy of our 1977 Annual Report, just contact:

Badische Kommunale Landesbank - Girozentrale - Augusta Anlage 33 - 6800 Mannheim 1 (West Germany) Telephone: (0621) 458 537

BADISCHE  
KOMMUNALE LANDESBANK  
GIROZENTRALE

Badische Kommunale Landesbank - D-6800 MANNHEIM 1 (West Germany)

Financial Times Monday June 18 1978

## TELEFONAKTIEBOLAGET LM ERICSSON

US \$ 45,000,000  
Multicurrency Loan

managed by  
Svenska Handelsbanken Skandinaviska Enskilda Banken

provided by  
Amro Bank Overseas N.V.  
Compagnie Financière de la  
Deutsche Bank AG  
Crédit Lyonnais  
Skandinaviska Enskilda Banken

Svenska Handelsbanken  
Swiss Bank Corporation  
Union Bank of Switzerland  
S.G. Warburg & Co. Ltd.  
WestLB International S.A.

Agent  
Svenska Handelsbanken

June 1978

This announcement appears as a matter of record only

## SANDVIK

US \$ 25,000,000

Sandvik Aktiebolag

2 + 7 year Multicurrency Credit Facility

Arranged by  
Svenska Handelsbanken

Provided by  
Bank of America National Trust and Savings Association  
Compagnie Luxembourgeoise de la Dresdner Bank A G  
- Dresdner Bank International -  
Crédit Lyonnais  
Credit Suisse White Weld Limited  
Hambros Bank Limited  
Svenska Handelsbanken

June 1978

This announcement appears as a matter of record only

## A FINANCIAL TIMES SURVEY

# ARAB BANKING AND FINANCE

JULY 24 1978

The Financial Times proposes to publish a Survey on Arab Banking and Finance. The provisional editorial synopsis is set out below.

**INTRODUCTION** The Arab economic and financial scene nearly five years after the oil price rise. For some of the oil revenue surplus states, slower economic growth as a result of rising domestic spending, higher inflation, declining oil revenues and sagging oil output. The continuing dynamism of Saudi Arabia. Budget and balance of payments concerns of higher population OPEC countries. Economic situation of the non-OPEC Arab states, dependent more or agricultural exports and relying heavily on aid from the richer Arab countries. Effect of the declining value of the dollar on oil revenues and the OPEC surplus. Attempts to arrive at a new OPEC pricing method.

**DISPOSAL OF STATE SURPLUSES** Decline in the annual surpluses of most of the oil producing states since 1974. Need for most states to keep the bulk of their surpluses in liquid form. The chronic surplus states Saudi Arabia, UAE, Kuwait and Qatar.

**FINANCIAL CENTRES AND THE GROWTH OF CAPITAL MARKETS** The increasing sophistication of Arab financial markets. Development of Kuwait, Bahrain and Dubai as financial centres.

**THE INTERNATIONAL BOND MARKET** Activity of Arab financial institutions on the Eurobond market in the management, underwriting and subscription of loan issues. Their importance in the international bond market as a whole. The position of Kuwaiti concerns in the management and placement of syndicated loans and convertible issues.

**CONSORTIUM BANKING** The growth in the past few years in the number and size of financial institutions bringing together Arab

and Western banks. The purpose of such consortia.

**INTRA-REGIONAL INVESTMENT** Investment by the revenue surplus states in the poorer Arab states, as well as within the Gulf states themselves. State, semi-official and private institutions investment.

**LONGER-TERM FINANCING** The diversification of banks in Arab countries from retail banking towards provision of non-concessionary longer term finance. The workings of such institutions.

**THE ARAB MONETARY FUND** The development of this Abu Dhabi-based institution and its main purposes. Composition of its membership and the relative size of capital stakes.

**ISLAMIC BANKING** Recent rapid development of the concept and practice of banking according to the Islamic Sharia without charging interest. Rationale of Islamic banking.

In addition the Survey will include articles on banking systems, financial developments and economic prospects in the following countries:

SAUDI ARABIA  
KUWAIT  
UNITED ARAB EMIRATES  
BAHRAIN  
QATAR  
IRAQ  
OMAN  
ALGERIA  
EGYPT  
JORDAN  
LEBANON  
SUDAN

For advertising rates for this survey please contact Laurette L. Lecomte-Peacock  
Financial Times, Bracken House, 10 Cannon Street, London EC4A 3BY  
Tel: 01-248 8000 Ext. 515

FINANCIAL TIMES  
EUROPE'S BUSINESS NEWSPAPER

The content and publication dates of surveys in the Financial Times are subject to change at the discretion of the Editor.

## LABOUR NEWS

Gormley  
faces  
new  
Scargill  
challenge

By Our Sheffield Correspondent

SHEFFIELD, June 18. LEFT-WING coalfields, led by Yorkshire miners president Mr. Arthur Scargill, will block attempts to raise extra cash for the National Union of Mineworkers if its president Mr. Joe Gormley and his moderate majority on the executive again reject calls for the "democratisation" of the executive.

Mr. Scargill, who has clashed bitterly with Mr. Gormley in recent weeks, yesterday spelt out his ultimatum for the NUM annual conference in Torquay in three weeks.

"If they support our resolution for more democracy we will support their resolution for higher financial contributions to go to the national union," he said.

But if moves to get a more democratic voting system on the NUM national executive were again defeated, Mr. Scargill would have a better chance of "frying snowballs" than getting the extra cash the national union so badly needs.

The Yorkshire call for more democracy will be discussed at the conference before the resolution seeking a 50 per cent increase in weekly contributions. As changes of rule, both will require a two-thirds majority to go through.

## Small areas

Yorkshire has the support of South Wales and possibly Scotland and other Left-wing coalfields, so Mr. Scargill could be able to stop the necessary majority being achieved.

Yorkshire's conference resolution says that if a show of hands vote on the executive is challenged, there should be a card vote, based on the size of the area.

Mr. Scargill, who has been backed on this issue by Mr. Mick McAuley, of the Scottish miners, objects to small areas such as North Wales or Cumberland having one vote on the NEC, even if they have fewer than 1,000 members, while Yorkshire with 66,000 members has only three votes.

Such a rule change would immediately guarantee a Left-wing majority on the executive.

Make more jobs,  
governments  
told by unions

BY CHRISTIAN TYLER, LABOUR EDITOR

LEADERS of trade unions in Western Europe and the U.S. have given warning that workers will stop co-operating in raising productivity or rationalising industry unless governments act quickly and directly to increase job opportunities.

They say that unions will still demand increases in real wages for their members, and that, coupled with lack of output and productivity growth, will raise industrial costs.

The main revival of employment should come through a joint commitment to fast economic growth, but working-sharing will be necessary to combat the immediate jobs problem, the unions say.

These warnings, together with a strategy for regaining full employment, will be relayed in next month's Western economic summit meeting in Bonn.

The strategy is based on a document discussed by union leaders from Britain, Denmark, Sweden and the U.S. with Mr. Emil van Lennep, OECD secretary-general, and officials from OECD member-countries early this month.

It was submitted to last week's inconclusive meeting of OECD Ministers in Paris, and will be revived for the summit in the light of unions' disappointment at the failure of the 24 OECD Governments to set specific growth targets.

The unions also say that unless something is done urgently, short-term stability.

Health Service employees  
take tough line on pay

A TOUGH line on pay was decided on yesterday by the executive of the Confederation of Health Service Employees, on the eve of their annual conference.

Leaders of the nurses and health workers union are demanding a return to "responsible collective bargaining" and a minimum basic wage for all health workers of £30 for a 35-hour week.

The confederation said that the basic pay of ancillary workers, porters, and domestic staff was £44.43p for a 40-hour week at present. Other grades of ancillary workers and nurses received higher wages; but all for a 40-hour week.

The union had supported the Government during the past

three years of pay policy, but now felt it was time to redress the fall in members' living standards.

Seven operating theatres at one of London's most modern hospitals are closed for all but emergency operations because of a walk-out by nurses.

Talks are to be held today at Greenwich District Hospital—opened only three years ago—in a bid to settle the dispute.

The nurses walked out on Thursday in protest at the dismissal of the sister in charge of the hospital's theatre suite.

She had refused to sign an undertaking that she would work with a newly introduced grade of theatre staff—operating department assistants.

Mr. J. T. Griffiths has been appointed to the Board of ELECTRONIC RENTALS GROUP as an non-executive director. He is chairman of Pye.

Mr. Rodney E. Lambert has been appointed to the Board of ARDEN SECURITIES.

Mr. E. P. Maccoll has been appointed a director of GILBERT BROTHERS DISCOUNT FUND MANAGEMENT. Mr. A. J. Norris has been appointed manager of the company.

Mr. J. B. Waterton has been appointed to the Board of DAWSON INTERNATIONAL.

Mr. Patrick Wrede has been appointed managing director of LAMCO PAPER SALES from August 1 1978. Mr. Wrede succeeds Mr. Jari Köhler who is leaving on that date.

Mr. E. R. Cox, Mr. A. P. Barnes and Mr. M. Garaway, executive directors of the company, have been appointed full Board members of RADYNE. These appointments follow the recent announcement of the acquisition by the Forward Technology Industries Group of the Radynex shareholding from Scienta SA.

Mr. C. H. Sporborg has been appointed chairman of STAL LAVAL, the London subsidiary of

Stal Laval Turbin AB, of Sweden. Mr. Sporborg, an executive director of Hambros Bank, succeeds Professor L. Jung, who remains on the Board.

Mr. Simon L. Kenwick and Mr. Hugh M. Priestley have been appointed directors of GREENPRIAR INVESTMENT COMPANY, a member of the Henderson Administration management group.

Mr. G. V. Elliott and Mr. J. D. Flouch have been appointed the first two directors of CEPEC, a new counselling service for industry set up by FA INTERNATIONAL. Sir Denis Barnes, former chairman of the Manpower Services Commission, has been nominated chairman of CEPEC's advisory council.

Mr. J. H. Scroton has been elected president of the INSTITUTE OF QUANTITY SURVEYORS for 1978-79. Mr. M. A. Wilkins is immediate past president. Mr. E. W. J. Ashford senior vice-president, and Mr. C. F. J. Webb and Mr. P. E. T. Spencer vice-presidents.

Mr. D. C. Smith has been appointed deputy chairman of ROBERT WILSON AND SONS (1849) and has been succeeded as managing director by Mr. Douglas L. Macneil.

Drivers  
demand  
ballot  
inquiry

By Our Labour Correspondent

THREE HUNDRED Midland lorry driver members of the Transport and General Workers' Union yesterday called for an inquiry at national level into allegations of irregularities in union ballots involving Mr. Alan Law, the union's Midlands Trade Group secretary.

The allegations are now the subject of a police investigation. The lorry drivers' 5/35 branch called for an inquiry into the organisation of three ballots last year, the subsequent division of the branch into four units and, specifically, the roles of Mr. Law and Mr. Brian Mathers, regional secretary.

It is alleged that Mr. Law failed to send individual ballot forms to members of 5/35 branch in an election for a place on the union's regional committee.

The document says that developing countries should be helped to provide the basic needs of their own people, "not to produce cheap goods with underpaid labour for foreign markets."

The unions also criticise the system of "managed floating" exchange rates and call for a reform that will bring more short-term stability.

The vote was not accepted, a re-run was ordered, and Mr. Law resigned his powerful position as unpaid secretary of 5/35 branch. The branch was then separated, giving it four secretaries.

Mr. Dennis Mills, 5/35 co-ordinating committee chairman, announcing the resolution, said: "I cannot say whether it was a clear message to have a full inquiry so we know the full facts and can clear the air."

Mr. Law was not at the meeting yesterday because he was attending a Yorkshire miners' gala.

He has denied the ballot-rigging allegations, saying that a walk-out by workers made it impossible for office staff to send out all the ballot papers on time.

The resolution called for the proposed inquiry to be conducted by one national officer, one national committee member, and five lay members of 5/35 branch — their findings to be reported back to the branch and the union's national and regional committees.

Clear message

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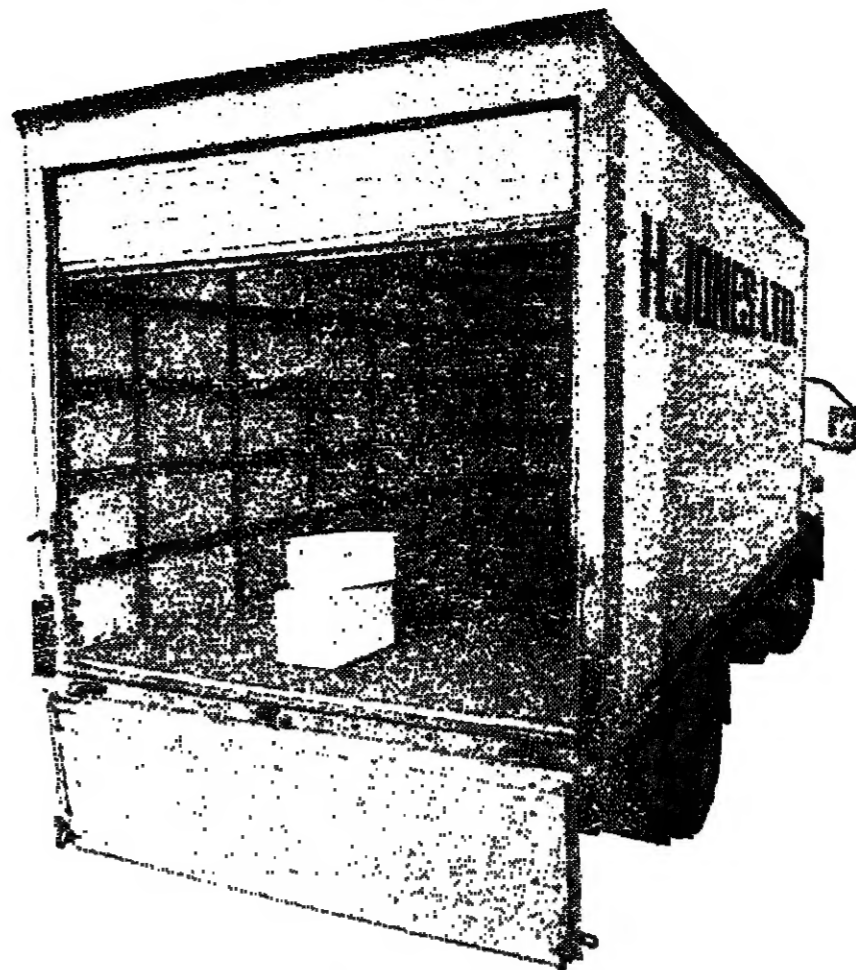
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It isn't always cheaper  
to do-it-yourselfC&D  
door to door

Have you looked at the economics of your delivery fleet lately? Things have changed fast—fuel, maintenance, replacement and other costs are not what they were. It now costs a fortune to keep even a 2-tonner on the road. And when you are down to the odd packages your costs go sky high.

Make your life easier  
Why not do your sums again. Have another look at those figures that decided you to go 'do-it-yourself'. Then

call in Rail Express Parcels and compare prices and services.

Rail Express Parcels can give you a nationwide, reliable and economical collection and delivery parcels service. We'll take over the worries and may be able to help you make an impressive saving.

For more information about Rail Express Parcels collection and delivery services please write to Rail Express Parcels, Room 4a, Melbury House, Melbury Terrace, London NW1 6JU.

## A Rail Express Parcels Service ➡



It took taxi-fleet owner Stanley Perkins to discover yet another use for Dun & Bradstreet.

True, we do a lot more than most people realise. But even we didn't guess at a particular strength of the Dun & Bradstreet Register.

Mr Stanley Perkins, Hampstead taxi-tycoon, put us right. He ordered the Dun & Bradstreet Register—all five volumes plus Index—then stunned us by saying the contents didn't interest him. (Details of 200,000 companies plus credit ratings!) What he wanted was the sheer prestige and respectability that the books would lend to his offices: "My customers will be impressed no end."

Nice to know we have yet another function, when many still think of us solely as the world's largest credit reporting organisation. Fact is, we're larger than that. Our list of activities is so varied, it's almost certain that at least one will answer your needs.

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26/32 Clifton Street, London EC2P 2EL. Phone 01-247 4577.

## APPOINTMENTS

## Planning director for Borthwick

Mr. Julian Sturgis has been appointed corporate planning director of THOMAS BORTHWICK AND SONS. Mr. Michael Cave has been appointed finance director, and is succeeded as company secretary by Mr. Michael Timothy.

Mr. Kenneth Ward has been appointed director of corporate relations for the RACAL ELECTRONICS GROUP. The new post takes account of Mr. Ward's increased corporate responsibilities, particularly in the UK and the U.S. He is appointed vice-president, corporate relations. He will continue with his existing responsibilities for publicity and public relations and he remains a director of Racal Group Services, Wokingham.

Mr. P. W. Bryant has been elected a director of BAKER PERKINS CHEMICAL MACHINERY. He retains responsibility for all manufacturing and engineering departments as general manager of the Stoke-based company.

PEAT MARWICK MITCHELL AND COMPANY announce that from October 1 Mr. C. M. Thompson will be admitted as a partner in the London office.

Mr. J. T. Griffiths has been appointed to the Board of ELECTRONIC RENTALS GROUP as an non-executive director. He is chairman of Pye.

Mr. Rodney E. Lambert has been appointed to the Board of ARDEN SECURITIES.

Mr. E. P. Maccoll has been appointed a director of GILBERT BROTHERS DISCOUNT FUND MANAGEMENT. Mr. A. J. Norris has been appointed manager of the company.

Mr. J. B. Waterton has been appointed to the Board of DAWSON INTERNATIONAL.

Mr. Patrick Wrede has been appointed managing director of LAMCO PAPER SALES from August 1 1978. Mr. Wrede succeeds Mr. Jari Köhler who is leaving on that date.

Mr. E. R. Cox, Mr. A. P. Barnes and Mr. M. Garaway, executive directors of the company, have been appointed full Board members of RADYNE. These appointments follow the recent announcement of the acquisition by the Forward Technology Industries Group of the Radynex shareholding from Scienta SA.

Mr. C. H. Sporborg has been appointed chairman of STAL LAVAL, the London subsidiary of

Stal Laval Turbin AB, of Sweden. Mr. Sporborg, an executive director of Hambros Bank, succeeds Professor L. Jung, who remains on the Board.

Mr. Simon L. Kenwick and Mr. Hugh M. Priestley have been appointed directors of GREENPRIAR INVESTMENT COMPANY, a member of the Henderson Administration management group.

Mr. G. V. Elliott and Mr. J. D. Flouch have been appointed the first two directors of CEPEC, a new counselling service for industry set up by FA INTERNATIONAL. Sir Denis Barnes, former chairman of the Manpower Services Commission, has been nominated chairman of CEPEC's advisory council.

Mr. J. H. Scroton has been elected president of the INSTITUTE OF QUANTITY SURVEYORS for 1978-79. Mr. M. A. Wilkins is immediate past president. Mr. E. W. J. Ashford senior vice-president, and Mr. C. F. J. Webb and Mr. P. E. T. Spencer vice-presidents.

Mr. D. C. Smith has been appointed deputy chairman of ROBERT WILSON AND SONS (1849) and has been succeeded as managing director by Mr. Douglas L. Macneil.

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This advertisement appears as a matter of record only.

March 1978

The Ministry of Finance  
of  
The Kingdom of Thailand

US\$7,500,000  
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The Long-Term Credit Bank of Japan, Limited

Chemical Bank

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOLETERS

## COMMUNICATIONS

### Cuts cost of telex

SIGNIFICANT COST saving machine's time is devoted to tape preparation instead of sending and receiving. With the Telexreader, all the operator's time spent keying in (and the machines so used) is eliminated. No errors can be introduced by the operator and the time delays caused by messages being queued disappear. The machine code can be changed for computer or word processing applications. The Telexreader can be seen at the U.S. Trade Center in London from June 19-23. More information from TE division of GADC, 70-82 Akeman Street, Tring, Herts. 0442 82 4011.

## COMPUTING

### Acquires the data

PUT ON the market by Solartron-Scalmer is the System 35 data acquisition equipment, controlled by a microprocessor and aimed at laboratory data gathering/processing, investigatory logging of model systems, strain gauging, stress analysis and manufacturing applications such as output monitoring, small scale automatic testing and quality control.

There are two units of hardware apart from peripherals such as keyboard terminals, printers and paper or magnetic tape devices. First of these, the 3510, is known as the integrated measurement unit and has principal tasks of scanning the transducer inputs measuring their values and digitising them. Normally, 64 channels can be examined, but the addition of slave units takes this up to 1024 if necessary. Transducer excitation is built in.

The other unit, the data acquisition system, takes the digitised data and stores complete records of test results for subsequent analysis. It provides outputs for a variety of display and printing devices and also alarm indications.

Solartron has developed its own interpretative logging software called BASIC IV, derived from DEC's BASIC, which permits measurement devices to be operated under computer control and the logging system to be completely automated.

### Attacking the U.S. market

WITH THE formation of an American subsidiary with offices in New Jersey and San Francisco, the British company, Compeda, which specialises in marketing software systems for a wide range of engineering and computer aided design applications, will offer a full range of products and services within the U.S.

As part of its North American drive the company will hold seminars and demonstrations in Montreal, Houston and San Francisco during this month. It is also taking part in the National Computing Conference in Los Angeles this week. Further from 0436 58122.

## HANDLING

### Better grip on loads

EASIER servicing is claimed for a redesigned range of hydraulically operated rotating clamp attachments for lift trucks, available from Hercules Hydraulics and used to handle cylindrical objects.

Opening gaps run from 254 mm (10 in) up to 1,650 mm (65 in) and wider to order—and the steel piping to carry the hydraulic oil has been replaced with flexible rubber hose, which absorbs the high shock loading caused by poor floor or yard conditions.

With handling capacities of from 750 kg (1,650 lb) up to 3,500 kg (7,700 lb), the clamps will rotate through 180/360 degrees fixed or sideshifted, and can be supplied with higher capacities to order.

Hercules Hydraulic, Giltway, Giltbrook, Nottingham NG16 2GX. Kimberley 34321.

## PROCESSES

### Copes with sharp bends

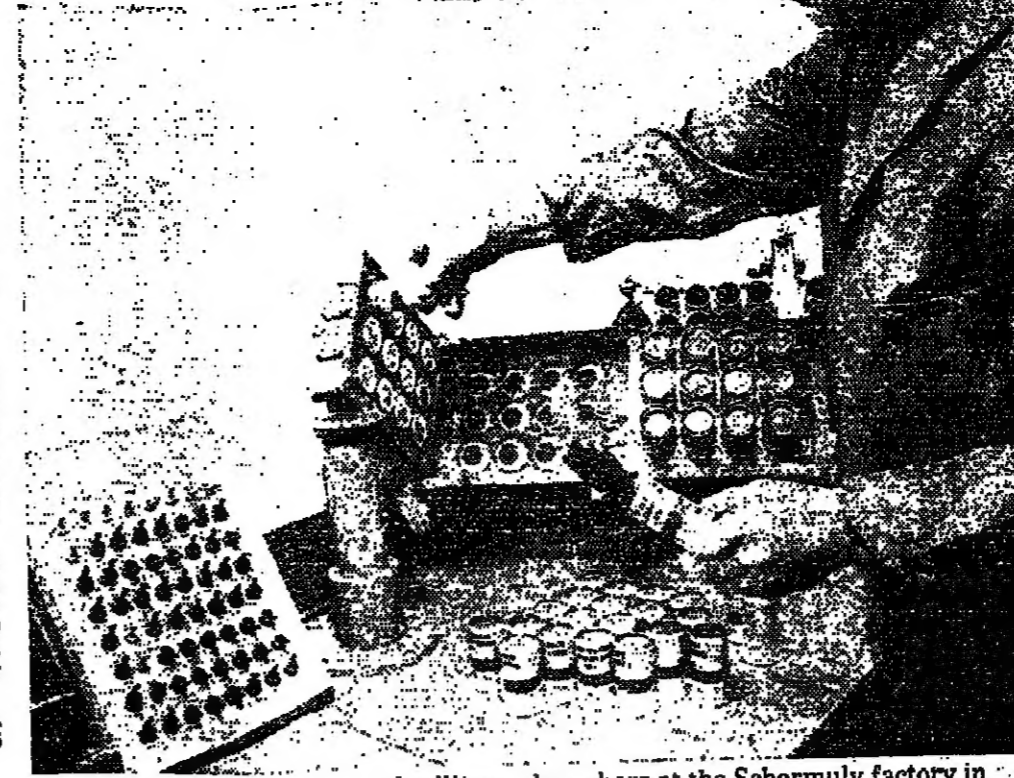
GENERAL DESCALING has introduced a new design of pig cleaner specifically for pipelines incorporating various pipe diameters, awkward bends and junctions, and other potentially troublesome geometry.

Particularly suitable for offshore use, "Specpligs" are available for pipe diameters from six inches upwards. The largest built to date are 48 in diameter.

The unit consists of two polyurethane cups backed by faceted steel plates and mounted on a reduced-diameter steel body. The backplates and the varied elastomer thicknesses ensure a controlled deformation of the cup peripheries to meet changes in bore and maintain an effective seal under all conditions of angularity and pipe deformation. The small-diameter body, which in the larger sizes is made as a buoyant tube, enables the Specplig to negotiate bends of 1:1 D radius.

The units can be supplied for any pigging duty, the appropriate brushes and other tools being fitted to the body.

General Descaling is at Retford Road, Worksop, Notts. S80 2PX. Worksop 324.



Instead of fireworks, marine and military pyrotechnic devices specially manufactured to avoid production of too much noise and smoke, will be used to provide an aerial display at the Aldershot Tattoo which opens today. Some of the devices are seen here being loaded into their

launchers at the Schermuly factory in Salisbury, Wilts, where they are made. In addition to these devices Schermuly handflares similar to those used by mariners and armed forces will be used to provide a colourful background.

## PLASTICS

### Polystyrene in many colours

AN ALTERNATIVE method for colouring expanded polystyrene has been announced by the EPS Association. The development has been made by one of its members, the Oxford Group. The material will be available to all moulders.

Details of the process are not disclosed by the Oxford Group, but the process involves Bourne Polystyrene Mouldings of Sevenoaks and Foley Packaging of Abernethy. However, it is understood that the colourant penetrates the white stock beads "deeply" so that when the steam expansion process is applied a good degree of colour homogeneity is achieved.

In addition, a wide range of

standard colours can be offered — pink, pale amber, violet, orange, deep blue, pale blue, deep brown, yellow, red, grey, light green and NATO green. Others can be blended and the company will also provide material matched to house colours.

The difference in price between white and coloured moulded EPS is about 10 per cent.

Most applications are expected in packaging, but there are prospects that tinted ceiling and wall tiles will appear on the market. Details from the EPS Association on 0444 57871.

### Presses and extruders

SEMI-AUTOMATIC and fully automatic presses of new design for the compression moulding of thermosetting plastics are announced by Erfurt Machinery, Sheffield (W. E. Norton Group), following its recent appointment as sole sales and service agent for Gatti S.p.A., Italy.

Designated "PG" and "PG Robot", the presses have automatic programme control, and in addition, the latter incorporates a patented automatic pellet loading device. PG presses are rated up to 750 tons, while the "Robot" models are available up to 250 tons.

From the control panel, housed in a free-standing console, nine sequences for the upper piston and three for extrusion can be programmed, allowing accurate control of the mould closing cycle, immediate or delayed degassing, selection of the polymerisation time, and extraction of the workpiece. Temperature of the heated platens can also be selected, and is accurate to within  $\pm 2$  degrees C.

Seminar fee is £27 (including VAT) and further details can be obtained from Multi-Science at The Old Mill, Dorset Place, London E15 1DJ. (01-534 4882).

## MATERIALS

### Lightweight partition

COMBINING two well-established products, provides a lightweight partition for fire protection on offshore structures. Developed by Durasteel and Mandoval, the Durasteel 3DF2 non-asbestos partition with Marine Mandolite 355 applied to one side has been successfully tested in accordance with SOLAS A60 requirements by the Fire Research and Testing Organisation (FIRTO) at Borehamwood as well as in the far more severe conditions of a simulated hydrocarbon fire.

The Durasteel partition is easy to erect on site and is followed by the spray application of Marine Mandolite. This combination offers an important saving in weight compared with a steel bulkhead and possesses stability, integrity and insulation. Both products are asbestos-free and present no known environmental health hazard either during or after application.

Durasteel on 0933 71138; Mandoval on 0990 35011.

## ROADMAKING

### Will plane concrete and asphalt

A SELF-PROPELLED planing machine capable of tackling both concrete and asphalt surfaces has been put on the market by Joint Engineering of Barkby Road, Leicester.

It is called the Superplane and is suitable for confined sites such as pedestrian precincts, town centres, playgrounds and car parks where such work would normally be a labour intensive operation involving the use of pneumatic or hydraulic hammers. For cutting concrete, the machine is fitted with a drum allowing a maximum cutting width of 760mm (30in) and a depth of over 30mm (1 1/4in). For asphalt, a different drum is used fitted with picks rather than the tungsten carbide tipped floating heads used on the concrete version.

To improve performance on asphalt, a bank of infra-red heaters can be attached to the front of the machine, hydraulically steered from the operator's console. In this configuration the maximum cutting width and depth are 800mm (31 1/2in) and 60mm (2 1/4in) respectively.

More from the British Machine Tool Builders' Association, 425W (0404 86621).

### DIRECT GAS-FIRED SPACE HEATING AND PROCESS HEATING

Ripon Road, Harrogate, N. Yorks. Tel: 61511 Telex 97859

### QUARRYING Drills holes for blasting operations

DESIGNED FOR use in quarrying and open cast mining operations, is a crawler-mounted self-propelled rotary blast-hole drilling rig which is being introduced to the UK by Trenching Supplies Ltd, 15 Central Trust, Regent Street, London W1A 1AT.

The rig is known as SR-25 and is manufactured by the Reed Tool Company. It has a pull-down capacity of 25,000 lb and drills holes from 5 1/2 in to 24 in and up to 25 feet deep in a single pass or in multiple passes. Drilling rate is 50 feet to 75 feet per hour. Drill angles range up to 25 degrees of vertical.

### TRENCHING Less risk of collapse

A HYDRAULIC trenching machine which is said to eliminate the dangers inherent in trenching by the use of hand-dug methods has been brought to this country from Speed Shore of Houston, Texas, via Mechplant of York. A constant threat to the construction worker is trench collapse and records show that many workers have been killed or seriously injured by a trench wall caving in on them. The all-aluminium equipment, called Speed Shore, comprises a strong but lightweight coil spring "take" less than a metre wide, which is pulled into the trench by a cable. The machine is said to be safe in the region of 75 per cent in shoring alone.

More from the British Machine Tool Builders' Association, 425W (0404 86621).

## BHF-BANK continues growth as one of Germany's leading Merchant Banks in 1977.

### Highlights from the Consolidated Balance Sheet as at December 31, 1977

	(in thousand DM)
Business volume	17,755,643
Total deposits	9,154,578
Volume of loans	8,529,087
Capital and Reserves	330,401
Balance sheet total	16,049,804

The complete Annual Report in German and summarized Annual Report in English and French are available on request.

#### Managing Partners:

Dr. Wolfgang Graebner, Herbert H. Jacobit, Dr. Hanns Christian Schroeder-Hohenwarth, Klaus Subjotzki, Rüdiger v. Tresckow

BHF-BANK had another successful year in 1977. All sectors achieved good results with international underwriting and commercial foreign banking heading the list.

Total assets grew to DM 16.05 billion as compared with DM 14.80 billion the previous year. Business volume advanced to DM 17.76 billion.

These figures reflect the success of the Bank's policy in recent years to broaden the geographical base of both domestic and international activities by establishing new facilities in major business and financial centers.

BHF-BANK's Luxembourg subsidiary recorded another good year and after its first year of operations, the New York branch also contributed to the overall results.

## BHF-BANK

BERLINER HANDELS- UND FRANKFURTER BANK

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HEAD OFFICE: SCHNEIDERSTRASSE 10, D-10000 BERLIN 1. TEL: (030) 7151-1. BRANCHES: LONDON, 22 BROADWAY, LONDON EC4A 3DF. NEW YORK, 60 WALL STREET, NEW YORK 10038. PARIS, 10 RUE DE LA HARPE, PARIS 5. FRANKFURT, 100 MAIN STREET, FRANKFURT 1. ST. PAULI, 100 MARKTSTRASSE, ST. PAULI 1. SINGAPORE, 100 ROBINSON ROAD, SINGAPORE 1. TOKYO, 100 MARUICHI, TOKYO 100.

## CONTRACTS AND TENDERS

### SUDAN RAILWAYS

STORES DEPARTMENT  
CONTRACT NO. 5093  
SUPPLY OF AUTOMATIC ALLIANCE COUPLERS  
CONTRACT NO. 5114  
SUPPLY OF 4000 (FOUR THOUSAND) ROLLER BEARINGS  
CONTRACT NO. 5137  
SUPPLY OF SIGNALLING MATERIALS FOR 25 NEW CROSSING STATIONS & RESIGNALLING OF 14 STATIONS

#### "NOTICE"

1. Controller of Stores, Sudan Railways, Adaba invites tenders for supply of the above.
2. Tenderers should quote for each tender separately and each offer should be put in a separate envelope.
3. Details, specification and drawings for each contract can be obtained from the Office of Controller of Stores, P.O. Box 65, Adaba-Sudan, or from the Office of Stores representative at Khartoum. Telephone 74793 on submitting a written application bearing 50p/m stamp duty and payment of £1 000/000 for one copy of details, specification and drawings for Contract 5093, £1 15,000/000 for one copy of details, specification and drawings for Contract No. 5114, £1 10,000/000 for one copy of details, specification and drawings for Contract No. 5137.
4. The closing date fixed for acceptance of tenders in this office are as follows:  
Contract No. 5093, Thursday 3rd August, 1978 at 12.00 hours noon.  
Contract No. 5114, Thursday 1st August, 1978 at 12.00 hours noon.  
Contract No. 5137, Thursday 10th August, 1978 at 12.00 hours noon.  
Documents are also sold at:  
SUDAN GOVERNMENT PURCHASING AGENCY,  
31/5 CLEVELAND ROW,  
ST. JAMES'S, LONDON, SW1A 1DD.  
Rate: £1,000 000/000.

OFFICE OF CONTROLLER OF STORES

## Democratic and Popular Republic of Algeria

### MINISTRE DES INDUSTRIES LEGERES SOCIETE NATIONALE DES INDUSTRIES DE LA CELLULOSE INTERNATIONAL INVITATION TO TENDER NOTICE OF EXTENSION OF TIME

Société Nationale des Industries de la Cellulose (SONIC) informs international companies and firms interested in the International Invitation to Tender which was launched at the beginning of February 1978 for the setting-up of a factory in Sedrata to produce cellulose and paper products that the date limit for sending tenders, formerly fixed for May 30, 1978, has been postponed to June 30, 1978.

Information from:  
SONIC, 64 Rue de l'Alger, El-Mouradia, Algiers.  
Tel: 66.38.00.01.04 — Telex: 52.933

## CONTRACTS AND TENDERS

Rate £13.00

per single column centimetre

For further details contact:

FRANCIS PHILLIPS on 01-248 8000 Ext. 456

## FIJI ELECTRICITY AUTHORITY

### Monasavu Hydro-Electric Scheme Power Transmission Project

#### Substations

The Fiji Electricity Authority (FEA) invites tenders from experienced contractors for the design, manufacture, delivery and erection on Viti Levu, the principal island of Fiji, of the following:

#### Contract 02/00

The contract will cover 132KV outdoor switchgear and associated equipment for the Viti Levu Substation to be constructed near the centre of Viti Levu, the Viti Levu Terminal Substation near Lautoka and the Lautoka Terminal Substation near Suva, together with 33KV outdoor switchgear for the extension of an existing substation at Viti Levu and 33KV indoor switchgear at Lautoka.

Early completion is of the utmost importance and the equipment is required to be ready for commercial service by 30th June, 1978.

Tender documents will be available at or after 21st June, 1978 from Merz & McLellan and Partners, 122 Arthur Street, North Sydney, 2060, Australia, on payment of a deposit of \$A200 by cheque made payable to the Fiji Electricity Authority. Deposits for documents are returnable on submission of a bona fide tender. Additional sets of the documents are available at a cost of \$A200 per set which is not returnable. Tender documents may be inspected on the above date at the FEA's Office, Lautoka, at the office of Merz & McLellan, Amherst, Killingsworth, Newcastle-upon-Tyne, England; Currier House, Warwick Road, London S.W.1; Sir Alexander Gibb and Partners Australia, Commerce House, Barton, A.C.T., or at the above offices.

Tenders will be officially opened at the office of the FEA in Lautoka at 15.00 hours on 28th September, 1978.

A tender deposit of \$A50,000 will be required to be submitted by each tenderer with his tender.

The FEA reserves the right to waive any informality in tendering and to reject any or all of the tenders received.

The FEA has applied for a loan from the Asian Development Bank towards the foreign currency cost of the project and procurement under the contract will therefore be limited to member countries of the Asian Development Bank.

Further information regarding the above contract may be obtained from Merz & McLellan and Partners, North Sydney, Australia.

#### Contract 01/00—Transformers

The contract will cover 2 x 25 MVA 132/11 KV Transformers at Viti Levu Power Station, to be constructed near the centre of Viti Levu, 2 x 60 MVA 132/33 KV Transformers at Cummingham Terminal Sub-Station near Suva, and 2 x 30 MVA 33/23 KV Transformers at Viti Levu Terminal Sub-Station near Lautoka, together with miscellaneous auxiliary transformers. Early completion of the Terminal Sub-Stations is of the utmost importance and these are required to be ready for commercial service by 30th June, 1978.

The Viti Levu Power Station is to be commissioned in October, 1981.

Tender documents will be available on or after 20th June, 1978 from Merz & McLellan and Partners, 122 Arthur Street, North Sydney, 2060, Australia, on payment of a deposit of \$A200 by cheque made payable to the Fiji Electricity Authority. Deposits for documents are returnable on submission of a bona fide tender. Additional sets of the documents are available at a cost of \$A200 per set which is not returnable. Tender documents may be inspected on the above date at the FEA's Office, Lautoka, at the office of Merz & McLellan, Amherst, Killingsworth, Newcastle-upon-Tyne, England; Currier House, Warwick Road, London S.W.1; Sir Alexander Gibb and Partners Australia, Commerce House, Barton, A.C.T., or at the above offices.

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## The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

## How managers are struggling to make themselves heard

THAT MANAGERS and professional staff are now the biggest growth area for trade unions could be seen as evidence of what appears to be a widely held view—today's manager is a pretty disconsolate beast.

But managers have not just been throwing in their lot with the established TUC unions—ASTMS is the obvious example—and TASS and APEX as well. There has also been a swelling in the ranks of non-affiliated unions such as the UK Association of Professional Engineers (UKAPE). Perhaps most interesting has been the growth of managers' associations, often sneeringly referred to as "sweet-heart unions" or worse, by their bigger TUC brothers.

What is clear is that more and more managers are departing from their traditional individualist roles and are seeking the strength of collective representation.

## Dilemma

The dilemma facing managers is complex. It is not just a question of whether they should join a union or a managers' association, but whether their interests are best represented within the TUC orbit or elsewhere. The trouble is that the elsewhere is practically nowhere.

There are some signs that alternative groupings are struggling to make their voices heard. In January this year for instance, the British Medical Association formed the MPSLG (Management and Professional Staffs Liaison Group) when doctors making representations to the Government were told that they were not speaking on behalf of very many people. The MPSLG is a fairly loosely knit framework and includes the National Unilever Managers' Association (NUMA), the British Dental Association, the Confederation of Employee Organisations, and the Association of Professional Scientists and Technologists.

Another, and a darker horse altogether, is the British Institute of Management. One thought which has recently gained some favour within the corridors of the BIM's Management House is for a link-up with the management associations with the BIM acting as an umbrella organisation.

All negotiations and representations at a company level would continue to be conducted by the individual associations,

but the BIM would make national representations on their behalf, to government. The appeal to the BIM is obviously enormous because of the gains it could make in both membership and political authority. For the management associations, there would be the strength of the BIM's established reputation.

But the BIM would have to overcome considerable resistance, both internal and external if it were to undertake such a radical step.

Many of these issues were very much in evidence last month, when over 200 managers from industry gathered at a conference organised by the Institution of Works Managers to discuss their problems and to compare the relative merits of trade unions and management associations.

There was broad agreement as to why managers were seeking collective representation. As Chris Hayward-Jones, general secretary of the Shipbuilding and Allied Industries Management Association (SALMA) told the conference: "Over a period of years, as a result of government incomes policies and shop-floor trade union pressures for single status, managers in shipbuilding, as elsewhere, have experienced a progressive erosion of differentials between themselves and their subordinates."

"The spread of collective bargaining and the increasing power of the trade unions has brought about a steady diminution of the status and authority of middle managers who, as an unorganised body, frequently found themselves bypassed in the negotiating and consultative process and having to implement decisions which they themselves have had no power to influence."

Where the managers at the conference were not so unanimous in their opinions was on the type of organisation which would be best for them to join in order to gain effective representation.

Chris Hayward-Jones explained why managers in the shipbuilding industry had chosen to form their own managers' association in preference to joining an established, and already recognised, union.

By being in the same union as their subordinates, he said, managers could face difficulties in their working relationships, especially if there were a conflict between unions and the employer. He pointed out that a manager held a dual role—as an employee and as an agent of

the employer. In addition, many managers belonged to professional bodies and had to comply with ethical rules; they feared they could be called upon by their union to take part in action "which they might consider to be at variance with their managerial or professional obligation."

Frank Morley, vice-chairman of the National Unilever Managers Association, noted a similar trend in the private sector and pointed out that virtually all large companies had shown a tendency to drift towards bureaucracy and standardisation. "It is almost with reluctance that managers have recognised this, as the implications are frustrating to the individualism which most managers cherish."

Another example at the conference of managerial frustration was the extent to which legislation supported trade unions and eroded the standing of individual managers.

The shipbuilding managers thought that none of the 13 CSEU unions in their industry were suitable to represent managers across the whole range of functions, as they were all largely craft unions. "We felt it to be vital that managers across the industry, irrespective of their individual function, should have common interests, which override functional boundaries, and should be represented by a single organisation which would coherently express their collective point of view."

## Influence

The managers were not attracted to a trade union which was affiliated to a political party—or was run by extremists," he said.

Hayward-Jones also pointed out that managers would have little influence on any of the CSEU unions, if they joined. The unions would be predominantly composed of non-managerial staffs, whose interests differ from those of managers—and since they were in the majority, they would prevail.

SALMA was formed in 1975 and in December last year joined John Lyons' Engineers' and Managers' Association (EMA), which is affiliated to the TUC. Although SALMA boasts a 70 per cent membership of managers, it is struggling for recognition by British Shipbuilders against stiff opposition from the might of CSEU. The shipbuilders' management association was organised

along very similar lines to the Steel Industry Management Association, which represents over 12,000 middle and senior managers in the British Steel Corporation. It was the general secretary of SIMA, Robert Muir, who provided the conference with what to some was the unpalatable fact that single industry management associations are faced with a credibility problem.

"We are quite clearly a trade union of managers," he emphasised, going on to say that a management association has to choose between being crusading and being compliant. "We at SIMA have had to stand our ground and resorted to industrial action in 1974. Managers must be able to take action and must be seen as willing to take it."

A similar, although markedly less strident view, came from the private sector's National Unilever Managers' Association. "It has been suggested that some companies have pre-empted the genuine unionisation of managers by establishing controlled managers' associations which masquerade as independent unions," said vice-chairman, Frank Morley. "No doubt there are examples of such marriages of convenience but they must be regarded as a temporary expedient which cannot survive in the long term."

Morley said that a non-aggressive attitude between a company and its managers' association should not be misinterpreted as a conspiracy against them, or the acceptance of domination by the company, a comment which might be viewed with some cynicism by seasoned trade unionists.

"It would be foolish to deny," added Morley, "that the threat of sanctions is not an essential part of the negotiating stance, but once managers have demonstrated an ability to act as a collective body and have the same protection as other unionised employees, it does not require the adoption of a truculent attitude or a if BIM chooses to pick up such a hot potato. Or indeed if its members or managers in general would wish it to."

There was a marked difference of opinion at the conference about whether management associations should gravitate towards the TUC or away. The shipbuilders' (SALMA) have joined the TUC through their merger with the already affiliated Engineers and Managers Association, formerly the Electrical Power Engineers Association.

The steel managers, SIMA, last month applied to the TUC for affiliation, a move precipitated by their annoyance at being excluded from plans to introduce greater employee participation at the British Steel Corporation.

At the conference representatives of both associations urged other managers "to get into the TUC—that is where the power is—and influence it from the inside."

## Reluctant

A number of managers expressed considerable doubts about the effectiveness of this course. As one put it: "I think it is a little naive and a little patronising. Even supposing half a million managers joined the TUC, what influence would they have... we've already agreed our interests are different, that's why we are reluctant to join traditional unions, for that very reason."

The alternative, according to a number of speakers at the conference, was to group management associations together: the most frequently mentioned example was the MPSLG (Management and Professional Staffs Liaison Group), which was initiated by the doctors, but includes other professions and managers' representatives.

The future unionisation of managers is far from certain, or settled. While the existing established organisations fight for the whip hand, there is an alternative: a new body representing managers, collectively. There is far too much uncharted territory ahead for one to be able to predict, but it might be worth watching to see if BIM chooses to pick up such a hot potato. Or indeed if its members or managers in general would wish it to.

Jason Crisp

## EXECUTIVE HEALTH

BY DR. DAVID CARRICK

## Making sure the high fliers get the right jab for the job

AN INCREASING number of executives, like migratory birds with faulty directional equipment, spend much of their time flying from their own homes to alien lands scattered throughout the globe and darting back again. This is in the name of business and is, doubtless, of the greatest benefit.

Unlike holiday-makers, to whom dying abroad is a rarity, many of these executives embark upon their endless, intermittent Odysseys as casually as lesser folk catch buses. They tend to develop a consensual attitude to the exercise which is fine so long as they do not forget vital precautions. Just because journeys from, say, Britain to Bolivia seem far less daunting than trips from Liverpool Street to Llandudno, so speed and ease likewise have not eliminated the dangers of certain diseases which, if not always fatal, are singularly unpleasant and debilitating.

Immunisation against specific diseases is statutory and, without valid certificates, the debonaire traveller (who can so easily forget to check) may be refused entry to other countries or, in certain places, may be admitted only after immunisation has been performed by local officials. Not only may this prove outrageously expensive, the amateur vaccinator may have only a rudimentary knowledge and the results can be unpleasant.

Apart from the compulsory immunisations, prophylactic methods should be adopted against other equally serious diseases. But only a fool, one might imagine, would ignore the chances of being smitten by diseases simply because no law exists to enforce protection against hostile organisms.

Of the statutory immunisations, there are but three: vaccination against smallpox, and immunisation against cholera and yellow fever. Although smallpox is supposed (by WHO) to be virtually extinct, many countries, particularly a majority of African republics, insist that visitors possess valid certificates. Necessary or not, this is a fact, and ignoring advice may cause great inconvenience.



... the amateur vaccinator ...

venience. Immunity against smallpox lasts three years from the UK. But immunisation must also be considered by travellers aiming for countries where none of these diseases exist. It is very likely that, during their journey, there may be scheduled or unscheduled stops in countries where the infection exists, for the casual organisms do not discriminate between usual one nowadays, is much less severe; but, unless proper remedies are applied to victims (as will always be instituted in sophisticated countries), this may cause death. Immunisation against the causative bacillus is by two injections four weeks apart. Immunity of up to 50 per cent lasts for only six months. Reactions are rare and usually take the form of tenderness, redness and swelling of the target area.

Protection against yellow fever, a most dangerous disease carried by the Aedes aegypti mosquito, which thrives in much of Africa and in Central South America, is provided by one injection and immunity lasts for ten years. This immunisation cannot be given concurrently with that involving another live virus (e.g., smallpox or poliomyelitis) and should precede either of the others by seven to 14 days. Immunisation is profitable only to the under-taken only be carried out at a

tertion is advisable for travellers must make sure that they keep up to date with their immunisations so as to avoid any frustration and disappointment. And, statutory or not, no journey to dangerous parts should be undertaken without protection. Setting business considerations aside, health is as stupid as it is forlorn, and a dead executive is of no use to the under-

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LOMBARD

# Why the country is booming

BY SAMUEL BRITTON

THE UK is enjoying the nearest thing to a boom that it has experienced since the puncturing of the Heath boom by the oil crisis of late 1973. You can look at almost any statistical series of the country and you will come to the same conclusion.

Industrial production in the six months to last April has risen at an annual rate of nearly 51 per cent. Retail sales volume was on the same basis nearly 8 per cent up. These indicators are still well below their 1973 peaks and there is no evidence of any long term growth; but the boom is definitely there.

## Vacancies

Unfilled vacancies—probably still the best indicator of the general state of demand—have recovered to the highest level since the winter of 1974-75. Export volume is expected to be well up in the second half of 1978, according to an official poll of large companies. The DTI's spring survey shows an expected upturn in manufacturing investment of 10 to 13 per cent in 1978—although still not enough to return the 1970 peak. Judging from anecdotal evidence among industrialists I would expect the next DTI survey to be markedly optimistic.

Indeed after so many years in which the budget forecast has been an overcast chance that the 1978 forecast of 3 per cent will prove an underestimate of the actual rise in GDP; and given the low underlying rate of productivity growth, unemployment should be falling fast.

What accounts for the change? The cynical but wrong answer would be "the luminance of a General Election." A more realistic response would be that there is to be an election this autumn because the economy is booming.

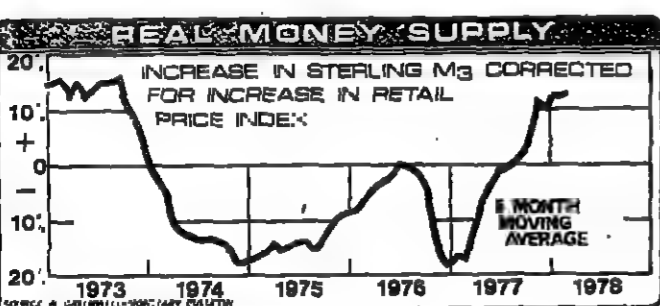
The proximate cause of the boom is the surge in real personal incomes. According to the National Institute, average earnings in 1978 have been an exceptional 13 per cent. With increases in employment, social security payments and tax reliefs, the rise in personal disposable income should come to over 16 per cent. This compares with a retail price rise between 1977 and 1978 estimated at just over 9 per cent.

But this still does not take us

## Sterling

The improvement in sterling was itself due to the turn-round in confidence after the IMF agreement of December 1976 and the first main impact of the Sea oil on the current account. Both these are once-for-all bonuses. From 1979 onwards inflation will bear a more normal relation both to money supply and growth and the increase of money earnings. This means that real demand will also slow down (if not by as much as the National Institute fears); and the Keynesian establishment is clearly beginning to clamour for further stimuli, whether from a world boom or the July summit. UK import controls or anything else is available.

An alternative conclusion is that 1978 has been an exceptional year in which a demand stimulus—due basically to the foreign exchange markets rather than the Chancellor—has been possible. By 1979 the underlying forces limiting output and employment will once again be in control and clever "management" will be of no avail.



## TV Radio

† Indicates programme in black and white.

### BBC 1

6.40-7.55 am Open University. 11.25 Cricket. Second Test: The Cornhill Insurance Test Series: England v. Pakistan. 1.30 Camberwick Green. 1.45 News. 2.10 Cricket. Second Test: England v. Pakistan. 4.18 Regional News for England (except London). 4.20 Play School. 4.35 Cheeky Chaps. 5.10 News. 5.35 Roobarb. 5.40 News.

### BBC 2

6.40-7.55 am Open University. 11.00 Play School (as BBC 1). 4.30 Cricket. Second Test: The Cornhill Insurance Test Series: England v. Pakistan. 6.25 Open University. 7.00 News on 2 headlines with subtitles. 7.05 Up the Organisation. 7.30 Newsday. 8.15 The Two Ronnies. 9.00 Play of the Week: Kenneth More in "An Englishman's Castle", part 3. 9.50 Race to the North. 10.40 Sea Tales. 11.10 Late News on 2. 11.20 Cricket: Second Test (highlights). 11.50-12.15 (closedown, treading). BBC 2 Wales only: 7.55-7.56 pm Heddli. 11.50-12.15 am Up the Organisation with Robert Townsend.

### LONDON

9.30 am School Programmes. 12.00 Jamie and the Magic Torch. 12.10 pm Rainbow. 12.30 News plus FT index. 12.55 Help. 1.00 World Cup 75. 2.00 Afternoon. 2.25 Monday Matinee: "Cronks and Coronets" starring Telly Savalas and Edith Evans. 4.20

### Radio 1

3.00 am. As Radio 2. 7.02 Dave Travis. 9.00 Simon Bates. 11.35 Paul McCartney. 12.30 am. Weekend 2.00. 1.00 Blackbird. 4.35 John Peel. 5.00 News. 5.30 Newsday. 5.50 News. 6.00 News. 6.30 News. 6.50 News. 7.00 News. 7.30 News. 7.50 News. 8.00 News. 8.30 News. 8.50 News. 9.00 News. 9.30 News. 9.50 News. 10.00 News. 10.30 News. 10.50 News. 11.00 News. 11.30 News. 11.50 News. 12.00 News. 12.30 News. 12.50 News. 1.00 News. 1.30 News. 1.50 News. 2.00 News. 2.30 News. 2.50 News. 3.00 News. 3.30 News. 3.50 News. 4.00 News. 4.30 News. 4.50 News. 5.00 News. 5.30 News. 5.50 News. 6.00 News. 6.30 News. 6.50 News. 7.00 News. 7.30 News. 7.50 News. 8.00 News. 8.30 News. 8.50 News. 9.00 News. 9.30 News. 9.50 News. 10.00 News. 10.30 News. 10.50 News. 11.00 News. 11.30 News. 11.50 News. 12.00 News. 12.30 News. 12.50 News. 1.00 News. 1.30 News. 1.50 News. 2.00 News. 2.30 News. 2.50 News. 3.00 News. 3.30 News. 3.50 News. 4.00 News. 4.30 News. 4.50 News. 5.00 News. 5.30 News. 5.50 News. 6.00 News. 6.30 News. 6.50 News. 7.00 News. 7.30 News. 7.50 News. 8.00 News. 8.30 News. 8.50 News. 9.00 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## FINANCIAL TIMES

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Monday June 19 1978

## Compromise in Belgium

THE LATEST Belgium political crisis now looks as if it is on its way to resolution. A series of intensive meetings over the weekend between leaders of the four main parties of the governing coalition seems to have succeeded in hammering out a compromise on the combination of economic and political problems that prompted Mr. Leo Tindemans, the Prime Minister, to tender his resignation last week. The compromise still needs to be endorsed by the parties today, but the likelihood is that Mr. Tindemans will agree to carry on as Prime Minister after a further meeting with King Baudouin. The outcome will confirm the view of most Belgian political observers that the resignation offer was made primarily for tactical reasons, so as to bring pressure on the coalition partners to negotiate an end to their recent disputes.

### Budget

There is no denying that differences of opinion inside the coalition have run deep over the past few weeks. The immediate cause of last week's crisis was the attempt by Mr. Tindemans' Social Christians to force through economic austerity measures in the face of strong opposition from the Socialists of Mr. Henri Simonet, the Foreign Minister. The Socialists disliked both the contents of the package and the way in which Mr. Tindemans appeared to be trying to hush the 1979 budget through Parliament, effectively by decree.

The two parties are divided on predictable lines over the policies required to confront the country's economic difficulties. The centre-right Social Christians want to pursue public spending, particularly on social security and unemployment benefits, in order to reduce a budget deficit that threatens to run to well over 150 billion this year. The Socialists would prefer to put the emphasis on combating tax evasion, a major national pastime in Belgium, and would like more money to be devoted to helping ailing industries. The situation is complicated by the Federalist pressures emanating from the two other

### Firm hand

These differences may be more easily forgotten now that the four parties appear to be on their way to settling their disagreements over economic policy and devolution. There are many reasons why the present moment is particularly appropriate for a new political crisis—not least the threat of a general strike this week over union demands for shorter working hours. There is no obvious successor to Mr. Tindemans, yet a firm hand will be needed to guide the country to a lasting solution of its perennial linguistic difficulties in the years ahead. The present broadly-based coalition is probably better placed to tackle the problem than most past Belgian Governments. With centrifugal forces at work all over Europe, it will be of the greatest interest to Belgium's neighbours to watch the country's progress down the Federal road.

## A poor record of compensation

THE LOW level of advance payments that have been made to the companies whose aerospace and shipbuilding interests were nationalised last year have been widely resented, and Lord Robens was doubtless voicing views shared by many of the other company chairmen concerned when he sharply criticised the Government at Vickers' annual meeting last Friday.

Because of the valuation methods that were chosen there is bound to be uncertainty at this stage—and probably for some considerable time to come—about the precise amounts that are due. But, on any reasonable test, the total of just under £27m which has so far been paid can be only a small fraction of the final figure. It is no way fulfils the promise the Industry Minister gave to MPs during the passage of the nationalisation Bill that "payments on account should be substantial and should be made at the earliest opportunity."

### Handicap

The derisory level and seemingly arbitrary nature of these payments have been a severe handicap to corporate planning for companies which had planned to use them to help finance the development of the rest of their business rather than distribute their compensation, or most of it, to shareholders. Lord Robens said that Vickers had borrowed extensively from its bankers in the expectation of receiving substantial payments on account and has accordingly had to reduce this year's investment budget from £30m to £20m in order to avoid becoming over-borrowed.

What is particularly galling is the fact that the £3m Vickers has so far received for its half-share in the British Aircraft Corporation and the £4m for its shipyards at Barrow are only a fraction of the profits these businesses have earned since they were taken over in the spring and summer of last year. The time the valuation process is taking is of course not a helpful factor but it cannot

THE TOKYO ROUND: BY MARGARET HUGHES

# World trade talks enmeshed in the fine print

THE TRADE negotiators in the GATT at Geneva are racing against time to come up by July 15 with an agreement which will set the guidelines for world trade for the next decade at least. This is the deadline on the eve of the Bonn economic summit, for the conclusion of the so-called Tokyo Round of the multilateral trade negotiations.

How successful a package will emerge remains an open question. The most that can now be hoped for, given protectionist pressures, is a broad political consensus on all the main issues, but still leaving undefined the often crucial fine print. At this stage it is impossible to predict whether even so much will be achieved.

With just four weeks to go there still are major issues to be resolved by the big three negotiators—the U.S., the EEC and Japan. Concrete agreements on safeguard measures, on subsidies and countervailing duties, and on agriculture are crucial if any success is to be claimed for the Tokyo Round. Whether or not these issues are resolved depends very much on the U.S., which has taken a leading role in the negotiations and is committed, perhaps more than any other country, to a successful outcome. The U.S. regards further liberalisation of trade as a prerequisite for restoring business and investment confidence to get the world's economy back on its feet.

Then there is the onerous task—in GATT parlance—of "multilateralising" whatever agreements are reached. The developing countries may feel aggrieved that much of the negotiation has been conducted without their participation, but the leading negotiators are well aware that the approval of these nations, however reluctant, is essential. Too many dissident third world voices would detract from the package which the trade negotiators hope to present.

The proximity of the deadline coupled with the realisation that the current negotiations may prove to be the last opportunity for a very long time to resolve world trade issues on a multilateral basis has at last injected a sense of urgency into the Tokyo Round which has laboured on languidly for almost five years. The Americans are now adopting a decidedly optimistic view not entirely shared by their fellow negotiators. "Doomed to succeed," the phrase used by one of the EEC delegation in Geneva, is perhaps a more apt description of the mood in Geneva as the negotiators persuade themselves that agreement will be reached in time. The will to achieve at least a political consensus has hardened markedly in the past few weeks and with it the apparent willingness to pay the necessary price.

Mr. Alonzo McDonald, head of the U.S. delegation in Geneva, says he is confident that the mid-July deadline will not only be met, but that the finer details will be finalised in time for him to present the full package to Congress at the beginning of next year. Timing is crucial because the current U.S. Trade Act runs out next January. That is why Mr. Robert Strauss, the U.S. Special Trade Representative took the initiative last July in setting a firm timetable for the Tokyo Round.

The final consensus has to be realistic enough to stand a good chance of being accepted by the various administrations at home. This is reflected, however belatedly, both in the hard bargaining which is now taking place, and in a growing mutual understanding of the problems.

While the U.S. delegation appears confident that it will be in a position to submit a complete package at home by the beginning of 1979, others are less optimistic. The Japanese, for instance, are convinced that it will take at least a year before the small print has been finalised and they foresee further tough bargaining.

The negotiators in Geneva appear fairly confident of a satisfactory agreement on tariffs. Having decided on harmonisation to eliminate wide disparities, with higher reductions of the higher tariffs and smaller cuts of lower tariffs, they are aiming for an average reduction of around 40 per cent which in turn is likely to be nearer 35 per cent.

### Resolving cuts in tariffs

But some aspects have still to be resolved. There is disagreement, for instance, over whether Japan's offer amounts to 40 per cent, as the Japanese claim, or 18 per cent as the U.S. and EEC maintain. The Japanese say their offer amounts to a 40 per cent reduction below the tariff agreed under the last multilateral negotiations, the Kennedy Round, although they do concede that they have unilaterally reduced tariffs on many products since. Hence the other negotiators assert that the Japanese offer amounts to a reduction of only 18 per cent below existing 1967 Kennedy Round tariffs. The Japanese, while maintaining their stance as a matter of principle, have, however, indicated that they will go beyond their current offer.

The Japanese are unhappy with the EEC proposal which began as an offer without exceptions but has since been re-presented with a list of possible withdrawals, or effectively exceptions. The list, though not published, has been submitted to the other delegations and the Japanese claim that it is so wide ranging that if im-



Ministerial meeting at Geneva during the Tokyo Round; from left to right Mr. Ushiba, Japanese Minister for External Economic Affairs; Mr. Strauss, U.S. Special Trade Representative; and Mr. Wilhelm Haferkamp, European Commissioner for External Affairs.

plemented it would lead to total collapse of the tariff proposals. But the differences which remain about tariffs are much narrower than those which are still unresolved on non tariff measures (NTMs). While the importance of the tariff reductions are not underestimated, it is recognised that eliminating NTMs which restrict trade is more crucial still.

Existing GATT rules on the point are imprecise. The purpose of the current negotiations is both to reduce and regulate NTMs. Discussions on such topics as the harmonisation of industrial standards and the establishment of uniform customs evaluation procedures are well advanced, though technical problems remain in the final drafting of new codes.

Government procurement is proving more tricky. The aim is to establish equality of treatment for foreign and national suppliers for government and public sector contracts which now represent a large proportion of world trade. The EEC, which has had little success in regulating its own members in this area, is less than enthusiastic about the wide reforms proposed by the Americans to make the whole process more transparent and more open to foreign participation.

The main outstanding issues of the NTMs talks are those which have proved the most difficult throughout the negotiations—safeguards, subsidies and countervailing duties, agriculture—the latter now being partly dealt with outside the main GATT talks through the International Wheat Council.

There are signs of some progress with safeguards. They concern Article 19 of GATT, the so-called safeguard clause, which allows members to take emergency measures to limit imports of particular products

when they cause or threaten to cause serious injury to domestic industry. At present these measures, which are usually applied to imports of which is held to be responsible for the injury. But the position—British asserting EEC is insistent that safeguard measures should be applied to the EEC proposal, whereas the U.S. insists that it should be applied selectively and has made this a central issue in the Tokyo Round.

Round—a view which has all along been rejected by the other negotiators and over which there has been disagreement within the EEC itself.

But others are now being won round to the EEC view though with qualifications. This includes the Japanese who have accepted the existing GATT qualification, under which other countries operate, that countervailing duties should only be imposed if there is "material injury, or a threat of it, to the importing country's industry as a result of an export subsidy in the country of origin."

On an ad hoc unilateral basis at present. But Mr. Eisetsuji Uekawa, Minister of the Japanese delegation at Geneva, made clear to the Financial Times that it would be a condition for accepting the selectivity principle that all existing discriminatory measures in force be dropped—be they voluntary restraints, quotas, or whatever.

In spite of the Japanese concession, differences are far from being eliminated. Japan, along with the developing countries, East European members and the U.S.—which also seem to have reluctantly accepted the selectivity principle—circumstances are adamant that such action should only be temporary, and undertaken only with the consent of the exporters. Moreover, there should be an independent surveillance body. The Japanese and third world are equally

adamant that the clause, giving cause serious injury to domestic industry, should be applied against abusive subsidies usually have to be applied, unilateral action, should be against all suppliers regardless of which is held to be responsible for the injury. But the position—British asserting EEC is insistent that safeguard measures should be applied to the EEC proposal, whereas the U.S. insists that it should be applied selectively and has made this a central issue in the Tokyo Round.

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the weapon more heavily than before since the U.S. has "no intention of becoming a dumping ground for the rest of the world."

The U.S. takes a tougher line still against agricultural subsidies which the EEC refuses even to negotiate about. The Americans have said that unless the GATT package substantially helps U.S. farm exports it will stand little chance of being accepted by Congress. Mr. McDonald is hopeful that some progress will be made, on agriculture, but admits that any agreement reached will be limited. Apart from its differences with the EEC, which he plays down to the extent that he asserts that the U.S. is not intent on dismantling the Common Agricultural Policy, Mr. McDonald and his fellow negotiators say that the Japanese too should open up their market more to agricultural products beyond concessions which they have already made on beef and citrus.

Agricultural problems are being handled in two ways. There are attempts to reach international agreement on cereals, meat and dairy products, while other items are being dealt with bilaterally on a specific request and offer basis. There continues to be a good deal of well-publicised acrimony on all sides, but particularly between Australia and New Zealand on the one hand and the EEC on the other—and no indication that the issues will be resolved amicably.

Prospects of an agreement on cereals, the most important agricultural item, are somewhat brighter now that the EEC has dropped its insistence on setting fixed price limits. The International Wheat Council is meeting in London to establish measures to be taken internationally—stockpiling, production cutbacks and increased utilisation—to maintain prices within "nominal price goals" and to agree on more consultation between importers and exporters. But the EEC's wish to include feed grains remains a problem.

While the main negotiators concentrate their energies on these key issues the developing countries, which will in any case benefit if agreements are reached, are becoming less hopeful that much will be done to incorporate the principle of "special and differential treatment for developing countries" emphasised in the original Tokyo Declaration. But while they do not now expect much in the way of benefits applied specifically to them to be incorporated in the final Tokyo Round package they are none the less anxious to see a successful outcome. It would, they hope, result in fairer and more disciplined trading by the developed world. How likely this is to be achieved in the final package, and how much is done to implement it.

### Thorny issue of subsidies

In return the U.S. insists that the EEC submits to greater disclosure of subsidies, agrees to bring up to date (and thus widen) the GATT list of what constitutes an export subsidy, and endorses the principle that, ideally, all subsidies should cease.

Subsidies and countervailing duties are the most difficult issue of all. Mr. McDonald considers that the U.S. has made a "major concession" in accepting that subsidies may be necessary at all. He emphasises that the U.S. is now intent on obtaining better definition, disclosure and discipline. Unless this is achieved, Mr. McDonald says, Congress will not only preserve its present stance on countervailing duties, but will wield

## MEN AND MATTERS

### Party for the future shock

The Ecology Party of Britain was holding a regional conference in Bristol at the weekend. Doubtless I should not have known, but for having casually remarked last week that Peter Ustinov would doubtless be president of such a party if it were to be formed. Ustinov and I have been in the dark. The Ecology Party is, indeed, bracing itself to fight at least six seats in the forthcoming general election: it also prides itself on having come ahead of the National Front in seven district election contests last May.

I asked its spokesman, Douglas Whitehead, a business consultant, why the Ecology Party was so little known nationally. "We have not been talking to the Press," he answered. "We are waiting until we have our manifesto ready in two months' time." But he told me proudly that the party now has a county councillor in Cornwall, a district councillor in Rye, Sussex, and a parish councillor somewhere in Worcester.

The chairman is Jonathan Tyler, a lecturer in transport studies at Birmingham University. Aged 38, Tyler says he hopes to fight Selby Oak at the general election. "We feel that we are becoming more and more relevant with every day that passes," he said. "Our 12-man national executive believes that people in industry, in particular, are starting to think very hard about resources, the type of society we shall have, the effects of automation on employment, and so on."

The British ecologists believe that successes of similar parties on the Continent are a portent. Do they see themselves as being



"When you come to think of it horses are always neck to neck BEFORE a race!"

on the left or the right of the spectrum? "With the type of problems to be faced, old political divisions will mean nothing."

### Blithe spirits

London hotels and tourist centres are only befuddled coming to realise that around one in ten of our summer visitors are Japanese. Signs are noticeably more plentiful these days in the main European languages—and some shopping streets are heavily adorned with verbal enticements (so one assumes) in Arabic. Japanese is still a rarity.

Interestingly, there is an exception at Keats House, on the edge of Hampstead Heath. The house now has 10,000 leaflets in Japanese, to add to its stock of material in English, German and French. I learn that the leaflets are a gift from two academics: Professor Kojima, who teaches English literature at Aoyama Gakuin University, Tokyo, and Dr. Akira

Minami, who lectures at Okayama University.

It has been making regular pilgrimages to Keats House since 1965. It was the idea of Minami, a more recent devotee of the poet, to write and donate the leaflet. What "Ode to a Nightingale" sounds like in Japanese is hard to imagine, but it seems that several thousand Oriental lovers of Keats' gentle melancholy make their way to Hampstead every year.

### Trade troubles

The Government's own weekly business magazine, Trade and Industry, is brimming with news about exports, plus exhortations from Edmund Dell, Eric Varley et al. But the mood plummets when you come to the back cover, which is a full page advertisement for The Samaritans. "Suicide? Despair? Talk to someone who cares..." After pausing to invite anybody who feels capable to enrol as a Samaritan, the advertisement returns to the original theme: "And remember... you can talk to the Samaritans in complete confidence, any hour—day or night."

The last resort, perhaps, for all those Trade and Industry readers who feel outstayed by the Japanese, hounded by the taxman and appalled by their balance sheets.

### Battle weary

Britain was denied a memorable victory on the field of battle yesterday. This discomfiture—at the hands of a TV crew from Nationwide—occurred, of all places, at Stratfield Saye House, the stately home of the Duke of Wellington. I have to report that the massed ranks of British soldiery (well, all 30 of them) were far from pleased at being frustrated in their

hopes of overwhelming Boney's men. The bemused citizenry were looking on did not seem too amused, either.

The weekend war, organised by the Napoleonic Association, went well on Saturday. It was fought in the walled garden of Stratfield Saye House: the fury of Waterloo, with shouts, groans, musketry and cannon-fire, was re-created by troops of young enthusiasts all dressed in 1815 style. The French were allowed to win that one. But the association got more than it bargained for on Sunday when it allowed the big guns of television into the combat. For a start, the battle was moved three miles into a park and was broken down into a series of disjointed incidents lasting four hours. By the end, nobody appeared to have won, except the BBC's lady commentator, all dressed up as a Prussian. Leaning sadly on their muskets, several of the British—who seem to have come all the way down from Durham for the fight—did not view the prospect of being on the box tonight as any compensation. Next year, I forecast, the association will be less keen to meet its TV Waterloo a second time.

### So that's all right

From Andorra, my colleague B. R. Ackenhurst reports that a worried-looking man rushed into a pub there last Saturday morning. "Was I in here yesterday evening?" he asked the landlord. "You were indeed," said the landlord. "And did I spend my entire week's wages packet buying drinks for everyone in the house?" he asked. "You did indeed," the landlord said. "Glory be!" he said. "I thought I'd lost it!"

Observer



## Peterborough—A History of Commerce

Four hundred years ago, Peterborough was a bustling and prosperous market town trading throughout Europe. Today, Peterborough companies export £ hundreds of millions of goods and services every year.

Peterborough is also a New Town with big advantages for business seeking new premises. Over 80 firms have moved to the city in the last 5 years. And London is only an hour away.

A huge building programme ensures a wide range of commercial and industrial property and sites. And plenty of housing—available to all the staff of a company moving to Peterborough.

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**Peterborough**  
 Building on History

## FINANCIAL TIMES SURVEY

Monday June 19 1978

## FINLAND

Tranquil relations with the USSR—big brother next door—mean that the Finns are able at the moment to concentrate on domestic problems. These are considerable, including high unemployment, cuts in real incomes and a higher than usual level of inflation.

## Attuned to tough going

By William Dullforce  
Nordic Correspondent

THE FINNS are difficult to understand. Last winter some 200,000 of them, around 8 per cent of the workforce, were unemployed and that figure may well be surpassed next winter. They have also suffered a cut in real incomes of about 4 per cent over the past two years. The man chiefly responsible for inflicting this punishment is Dr. Mauno Koivisto, the Governor of the Bank of Finland, who has insisted that priority be given to restoring the foreign payments balance and to curbing inflation. Yet top of the latest popularity polls (excluding the President) is Mauno Koivisto.

One could suspect the Finns of masochism or at least a disposition to exaggerate their size, the national characteristic which may be translated as guts or tenacity in the face of adver-

sity. A simpler explanation is that Dr. Koivisto's popularity testifies to the Finns' fundamental good sense, which is often obscured by the chaos of their politics. When the going gets tough, their sense of realism reasserts itself and they gratefully follow a determined lead. This has been a typical and recurring pattern during their chequered 80 years as an independent nation.

The Finns won that independence from Russia when the Bolshevik revolution broke out. They have since twice fought the Russians to preserve it. They also survived in the first years of independence a civil war, which has left its scars. For half the period, since 1948, their independence has been balanced on the Treaty of Friendship, Co-operation and Mutual Assistance with the Soviet Union.

This unique document serves to reconcile Finnish independence and neutrality with the security requirements of the Soviet Union. It gives Moscow considerable leverage in Helsinki and imposes on the Finns a vigilance towards any developments in Northern Europe, which might affect the relationship. It is another peculiarity of the Finns that under this relationship they have succeeded in preserving a pluralistic democracy and in building up their own version of the affluent, Scandinavian-type welfare state.

For the time being relations with their big neighbour appear to be running smoothly. The Soviet Prime Minister Alexei Kosygin was in Finland

twice last year, once for the independence celebrations in December, and the Soviet Foreign Minister Andrei Gromyko turned up in Helsinki for the anniversary of the Treaty. Finland has been putting more top level Soviet visits than most East Bloc communist states. And they have been friendly visits not brought about by any crises in the relationship.

One reason for the Russians' satisfaction is undoubtedly the re-election of Dr. Urho Kekkonen. At the age of 77 he started on another six-year term as President in March after holding the office since 1956. He has exercised a domineering power over Finnish politics and has been increasingly criticised for curbing the talents of other potential political leaders, but the personal trust he has built up in Moscow has been a fundamental element of Finland's independence during the last quarter of a century. At the moment, too, the tranquillity in their relations with the Russians helps the Finns to concentrate on their domestic problems.

## Surplus

For, despite the curb imposed by Dr. Koivisto, Finland is by no means out of economic trouble. The payments balance may show a surplus this year and inflation has been brought down from an annual rate of 15 per cent to around 7 per cent but the level of economic activity remains low and unemployment is growing rather than receding. After three devaluations in the space of a year Finnish exports, par-

ticularly in the vital pulp and paper sector, are more competitive. The export performance this year is considerably better but companies are still having to sell a number of products at prices lower than their manufacturing costs.

By the end of last year the success of Dr. Koivisto's monetary policy had in fact shifted the weight of responsibility to the Government. His monetary cure had stabilised the economy but at a low level. It was up to the Government to find a way of restimulating without releasing the devil of inflation. This was easier said than done because it called for action not by one determined man backed by a competent staff but by a coalition working within the complications of Finnish politics.

The Cabinet headed by Mr. Kalevi Sorsa, the Social-Democrat Prime Minister, has so far thrashed out three "stimulation packages" of fiscal measures. They have been politically remarkable in that they have shown a Government dominated by Socialists and Communists pursuing an orthodox, non-Socialist line, even, it could be said, one which appears at least in the short term to be hostile to workers' interests. Moreover, this policy has been accepted at least for the time being by the union leaders.

Communist participation in the Government is another enigma which does not lessen the difficulty of interpreting the Finnish political scene. Not all the Communists back the Government. The "majority" wing, led by the party chairman, Mr.

Aarne Saarinen, participate in the Cabinet but the "minority" headed by Mr. Taisto Sinisalo, one of the vice-chairmen, reject participation and a dozen of them vote stolidly against the Government in Parliament. Mr. Saarinen is if not a Euro-Communist at least a national-ist, while Mr. Sinisalo is regarded as a Stalinist hewing to the Moscow line.

Some Finnish politicians believe, however, that Mr. Saarinen is out to prove to sceptical Western Europeans that Communists can work loyally within a Coalition Cabinet, a demonstration which could benefit his Italian and French colleagues. This supposition does not take into account the singularity of Finland's foreign political situation and of its internal politics. Foreign policy and particularly relations with the Soviet Union are in the hands of the President and not the Cabinet in Finland. Moreover, all major Finnish parties support the current foreign policy line towards the Soviet Union. For the People's Democrats (the umbrella organisation for the Communists and Left Socialists who together have 40 members of parliament, including the opposition "minority" faction), the Centre Party (40) and the Liberals (9). The Government can usually count on the backing of the Swedish Party (10), which formed part of the Coalition until the reshuffle in March.

The Centre Party, chaired by Mr. Johannes Virolainen, the Minister of Agriculture, is a regular partner in Finnish governments. It is the Pres-

ident's party and among its present leaders is Dr. Ahti Karjalainen, several times Prime Minister and Foreign Minister and still regarded as the most likely man to succeed Dr. Kekkonen despite his recent disagreements with the President. The Centre Party's influence derives in part from the fact that, despite the apparent dominance of the Left in the Cabinet, there is a non-Socialist majority in Parliament. The "permanent" opposition is formed by the Conservatives (34 members) and three splinter partners, including the Christian League.

At this point it is necessary to explain yet another peculiarity of the Finnish political system. Under the Constitutional Act financial measures have to be approved by a five-sixths majority in Parliament, if they are to be implemented immediately. Technically a two-thirds majority suffices, but the one-third voting against can veto application of the measures until they have been passed again by a newly-elected parliament. The need to obtain a five-sixths majority for urgent fiscal measures clarifies to some extent both the vacillation and apparent ineptitude of Finnish governments. It also helps to explain why a Left-dominated Cabinet has in recent months been pursuing a consistent non-Socialist policy.

Mr. Sorsa and his Social Democrats hope to have a bill amending the constitution agreed within the Cabinet by the end of this month. The original intention was to ex-

clude fiscal measures from the provisions of the Constitutional Act and to allow them to be approved by a simple majority in Parliament. Because of the Centre Party's belief that simple majority legislation could pose a threat to private ownership, the likelihood is that the Cabinet will plump for a two-thirds majority requirement, eliminating the present minority veto. The intention is to have the amendment passed by the next Parliament due for election in March.

CONTINUED ON NEXT PAGE

## BASIC STATISTICS

Area	130,129 sq miles
Population	4.73m
GNP (1976)	FM 107bn
Per capita	FM 22,820
Trade (1976)	
Imports	FM 28.0bn
Exports	FM 24.5bn
Imports from UK	£289m
Exports to UK	£562m
Trade (1977)	
Imports	FM 30.7bn
Exports	FM 30.9bn
Imports from UK	£346m
Exports to UK	£594m
Currency: Markka	5=FM 7.87

clude fiscal measures from the provisions of the Constitutional Act and to allow them to be approved by a simple majority in Parliament. Because of the Centre Party's belief that simple majority legislation could pose a threat to private ownership, the likelihood is that the Cabinet will plump for a two-thirds majority requirement, eliminating the present minority veto. The intention is to have the amendment passed by the next Parliament due for election in March.

The timetable is critical because it is by no means certain that the present coalition can survive until March. It faces an inevitable squabble in the autumn over the 1979 Budget; the Left and the Centre Party

# It was like selling Whisky to the Scots.



## A US company has just ordered a complete thermomechanical pulp plant from Finland.

United Paper Mills Ltd. of Finland knows what it is talking about. Especially about TMP, because it has got what it takes: the Kaipola TMP and newsprint mills to use the Jylhä machinery and Finntek in production, and printing houses to test the qualities in use.

Every detail of TMP know-how was acquired and tested in this unbroken chain of integration, including full mill-scale test runs using Southern Pine as raw material, before entering into the iron-hard international competition of the machinery for the TMP mill of Boise Southern Company of DeRidder, La., USA.

80 % groundwood 20 % sulphate pulp	52 g/m <sup>2</sup>	100 m <sup>2</sup>
100 % Thermomechanical pulp	40 g/m <sup>2</sup>	161 m <sup>2</sup>

Their experts saw that United's people really knew what they were talking about. Especially about TMP. By late 1979 the line will be producing 450 TPD of pulp. From Southern Pine.



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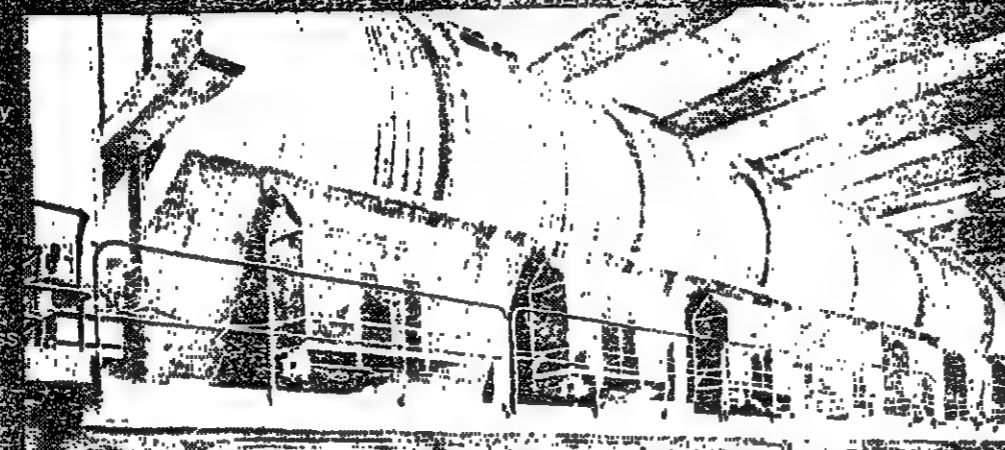
One million cubic metre sawn timber per year in truck bundles of length sorted packages year round. This production includes impregnated and finger jointed timber, joists, elements, doors, windows up to 10 m, house sections for private and public buildings including bowling, schools, hospitals, etc.



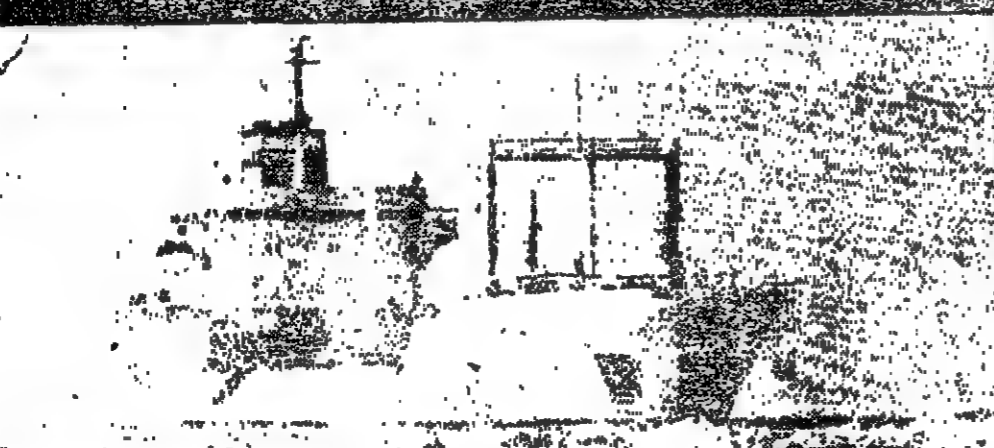
Rauma-Ryan produces 150,000 ft<sup>3</sup> of high-grade dissolving in and 60,000 tons of bitumen pulp a year, 260 million of newspaper and other printing materials. Rauma-Ryan also produces 100 cubic metres of boards, film coated on cardboard, lime stone and plywood and other products used by the building and joinery industry.



Rauma-Repola wood processing contributes valuable know-how to the manufacture of machinery for the forest industry. Rauma-Repola wood processing machinery is designed to facilitate the use of all the available wood raw material. The design of the machines make it possible to process extreme log sizes. Rauma-Repola also supplies complete plants for the fibre line and for pulp drying and finishing.



tankers, tug and roll-on/roll-off vessels, ice-strengthened polar tankers, refrigerated ships, replenishment ships and sea supply systems, small ships, deck machinery and machine boilers are supplied by the company's three divisions.



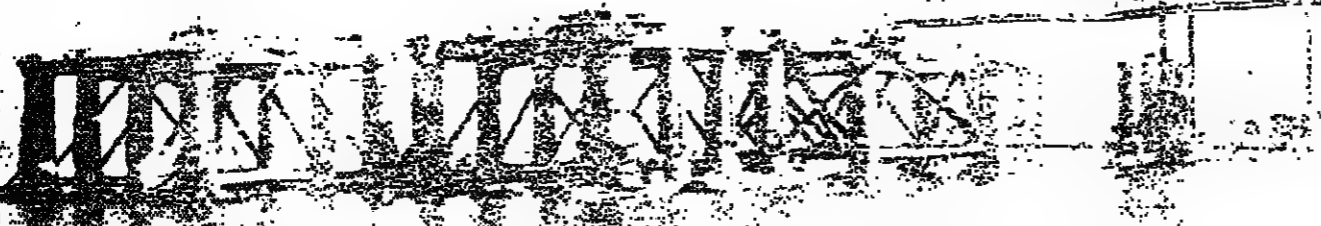
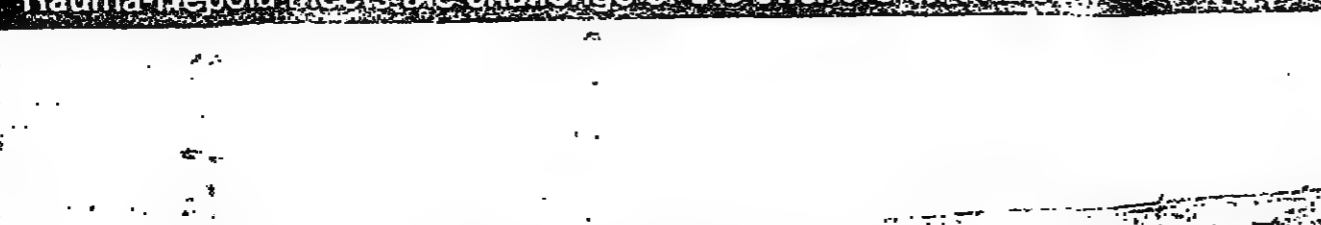
Lokomo is Scandinavia's largest manufacturer of mobile cranes. It is also famous for crushing plant, excavators and road graders.



Repolar's efforts to manufacture heavy machinery for the mining and metallurgical markets in cooperation with the German firm are continuing to influence



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The term "finlandisation" has been coined in the West to describe Finland's situation in the shadow of the Soviet Union. The implication is that the Finns survive within the Soviet sphere of influence by acceding to Moscow's pressures and influences. Looked at from Eastern Europe, say, from Prague, Budapest, "finlandisation" has a quite different connotation. For Finland is a flourishing western-style democracy operating a typical Scandinavian market economy. Like the Swedes and Norwegians it has its free-trade agreement with the EEC.

ing a visit to Finland in 1980 by the then Soviet Prime Minister Nikita Khrushchev. He said, "I am convinced that, even if the whole of the rest of Europe became communist, Finland would stand firm on the time-honoured ground of Nordic democracy, if the majority of the Finnish people wanted it that way — and I believe they do."

The assumption in that statement is that the Soviet leaders respect and will continue to respect Finland's independence. The assumption may not be shared by other Western statesmen but President Kekkonen can fairly claim to have greater experience of the Russians than any of them and he can refer to

On the face of it President Kekkonen's latest proposals can be interpreted as promoting Soviet interests, since any obstacles to the deployment of American cruise missiles in the Nordic area would favour the Soviet Union. A more pertinent explanation for Dr. Kekkonen's rather premature proposals can be found in the Finnish-Soviet treaty, under which the Finns are bound to start consultations at the military level should any threat arise to Soviet security involving Finland.

In other words, should the next SALT talks between the U.S. and the Soviet Union, in which the cruise missiles are concerned, fail, the Finns could foresee a request from Moscow for the establishment of advance

Unusually, the Finnish President has not visited Moscow since May last year, although he signed a 10-year agreement on the other hand Soviet Premier Alexei Kosygin was in Helsinki in December for the second time within a year for the celebrations of Finland's 60th independence anniversary, and Foreign Minister Andrei Gromyko attended the ceremonies in Helsinki to mark the 30th anniversary of the treaty between the two countries. The relationship is going through a markedly cordial phase, without ever apprehensions. Presumably Kekkonen may be entertaining about future international developments.

There is, of course, a price, a quid pro quo. It is embodied in the 1945 Treaty of Friendship, Co-operation and Mutual Assistance with the Soviet Union. That neither Finland nor the other Nordic countries have so far any reason for concern about the possible invasion of their air space by cruise missiles is not a reason for bigger orders for their engineering and construction companies, but two difficulties remain to be overcome. The order in balance the trade, the

On this occasion President Kekkonen does seem to have beaten the gun by a considerable margin. But his proposal illustrates the vigilant forecasting and anticipation of events which Finland has to practise. The President has since declared his intention of continuing to press for Nordic disarmament talks, despite the lack of enthusiasm in the other Nordic countries and the absence of any reaction from Moscow or Washington. This insistence is reinforced by the pessimism he appears to entertain about the international situation and about the prospects of any immediate progress in detente between the U.S. and the Soviet Union.

An earlier, controversial

capital as serving Soviet interests. It is true that the Finns, taking advantage of the greater freedom of expression in the West, address Western politicians more sharply than they speak to the Russians, at least in public. But Finnish political demarches can usually be adequately explained as designed to promote national interests.

There is no evidence, for instance, that President Kekkonen's latest initiative was in any way promoted from Moscow. In speech to the Swedish Foreign Affairs Institute in Stockholm last month, he revived the proposal for a nuclear-free Nordic area which

demarche by President Kekkonen in the field of Nordic security bore better fruit this year. This concerned a proposal within NATO that West German combat troops should be involved in NATO exercises in Norway. At one time it appeared that the Norwegian government would agree to their inclusion.

During a visit to Oslo last year President Kekkonen expressed Finnish reservations about this development. The Finnish-Soviet Treaty, concluded just after the last war, specifically mentions any threat to Germany as liable to bring into effect the clause calling for military consultation. Earlier this year the Norwegian

On the trade volume between the two most interesting developments of the 15-year agreement has been the provision for joint Soviet-Finnish bids for industrial projects in third countries. No orders have yet been realised but about 10 Finnish companies have in the past year concluded co-operation agreements with Soviet organisations. The brightest prospects for this type of co-operation are believed to be in Africa and the Far East, while the construction projects in the forefront. The Finnish-Soviet agreements also cover shipbuilding, the delivery of oil and paper mills and steelwork.

**William Dulfre**

## Attuned

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will have to compromise over the farm incomes: at the turn of the year the cabinet will have to decide whether or not to extend the temporary company tax relief measures; and finally at the end of February the national wages agreement

The main question now is whether the present coalition or any new one formed after the election can keep the Finnish economy on the right road. Party leaders could be tempted into expensive, vote-collecting measures during the run-up to election and the Social Democrats will have to consider whether or when to switch to a more radical line, whether this could be dangerous.

reverse side of the independence medal, the price the Finns have to pay for their success in preserving that pluralistic democracy. Only a small minority think the price is too high.

And if one looks back over the past 12 months, the politicians' record is not all that bad. Although industry may still grumble that not enough has been done, the cuts in social security charges on employers and the investment tax

The tax relief accorded to the companies has been temporary and must be prolonged. If there is to be a foundation for re-expansion. The demand for Finnish goods abroad is not yet strong enough, nor are prices high enough, to allow for any tampering with company finances.

The prospect for the jobless is poor indeed. There is little hope of employment picking up next year and the Government has revised its target of getting

the second largest party to the Social Democrats. If that happens, their right to come from the cold and help form government would have been proclaimed. It could even tempt the Centre Party into deciding to form a non-Socialist government, a move which could affect attitudes in Moscow. The permutations of Finnish policies will continue to fascinate. It is to be hoped that they will not hinder the economic recovery which appears to be just getting under way.

# ...and machinery makers fight for their share

IN ORDER to pay reparations to the Soviet Union after the war the Finns had to build up an engineering industry almost from scratch. It was natural for them to concentrate on branches where they had previous experience. One result was the development of a pulp and paper machine manufacturing capacity quite disproportionate to the size of the domestic industry and one which has to compete on export markets with such giants of the business as America's Beloit and West Germany's Voith.

The Finns estimate that they have close to 15 per cent of the world market for pulp and paper machinery and they are now engaged in a very tense struggle to maintain that share. There is currently a considerable over-capacity on the world market, as the economic recession has curbed investment in new pulp and paper mills, and the Finnish manufacturers suffer like the rest of the Finnish industry from high domestic cost levels which hamper their ability to compete in price. This problem was vividly illustrated last year, when Voith succeeded in selling a paper machine manufactured in Brazil to a Swedish customer.

The Finnish manufacturers comprise three main suppliers. The TVW group links Tampella, Valmet and Wärtsilä and produces chiefly paper machines. Rauma-Repola concentrates on pulp-making equipment, in which it has probably been the biggest in the world over the past decade. The Ahlström company has a long-standing co-operation agreement with Karlstad Mekanismiska Verket, belonging to Sweden's Axel Johnson group, and with Myrens Verket, which forms part of the Norwegian Kvaerner group. These three market both pulp and paper machinery through the Kamyri company, in which they have equal shares.

## Established

Traditionally the Finnish manufacturers have been well established on the expanding Soviet market, where, however, they are now meeting tougher competition from the Russians' own engineering plants and from other suppliers. They are defending their positions partly by co-operating with the Soviet engineering plants (and this includes the possibility of joint tendering for third country contracts) and partly by obtaining a larger share of the bilateral trade. The Russians are now expected to order equipment worth some 300m roubles in the 1981-85 period from the Finnish pulp and paper manufacturers compared with the something over 200m roubles agreed on in the five-year agreement covering 1976-1980.

The Finns' other main markets have been Scandinavia, North America and Western Europe and they estimate that the bulk of their sales will continue to be made in these areas. At the same time they are energetically looking for new markets, particularly in South America and the Far East. Jaakko Pöyry, the Finnish group which has become the leading world consultant to the forest-based industries, estimates that 75-80 new paper machines will be needed in South America over the next

few years, some 60-70 of them going to Brazil. The Finns have not been as quick as Voith to spot this market, but all three main manufacturers are now moving into Brazil.

On the product side, again under the inspiration of Jaakko Pöyry's research, the Finns are developing a dual approach. They have traditionally concentrated on the production of very large sophisticated high-speed units designed to meet the requirements of the pulp and paper exporting countries. They will continue to try to maintain their lead in this type of equipment, but are simultaneously designing smaller and simpler machines for use in developing countries. They are also seeking to adapt to the demands of the more advanced developing countries by co-operating with local engineering companies which have the capacity to supply the basic constructional and rough engineering equipment for the pulp and paper mills.

All the Finnish manufacturers suffered from a lack of orders in 1977, although the TVW group collected some important contracts in North America. The devaluation of the Finnish mark has, however, improved their competitiveness and order prospects look somewhat brighter this year. Rauma-Repola and Ahlström have won contracts for deliveries to the big new sulphate pulp mill being built by the South Koreans and Ahlström's orders department is currently very busy with bids for re-building and modernisation contracts. Many pulp and paper companies now appear to recognise the cash-flow advantages of modernising existing plant, which often means a production stop of only a couple of months, compared with building a completely new mill which would give no production for 18 months or so.

Two recent strategic moves have been the TVW group's decision to invest in a manufacturing unit in Brazil and Rauma-Repola's co-operation agreement with Beloit. TVW is contributing 47.5 per cent of the \$15m investment in an engineering workshop employing about 600 people and capable of producing the whole range of TVW paper-making equipment. Its partners are the Brazilian Pilko group and the Brazilian investment company Brastel. This will be TVW's first manufacturing venture outside Finland but it is developing a global sales strategy with licensing arrangements already concluded in West Germany, France, Japan and Spain.

TVW's three partners offer a complete paper-making range but are concentrating their sales pitch on some technically advanced new products. There are the Arcu former machines developed by Tampella and Valmet's Sym-Former range of twin-wire units, for which eight orders have already been received. The latest delivery was to Nordland Papier GmbH of West Germany. The former equipment is complemented by the coating machines developed by Wärtsilä, for which 14 orders have so far been obtained.

Rauma-Repola's agreement with Beloit joins the world's largest paper machine manufacturer with the world No. 1 in pulp machinery and thus represents a natural marriage. The agreement covers South and

North America and provides for future joint marketing in the developing countries. In South America, Rauma-Repola and Beloit are trying to penetrate a market dominated by Voith and the Japanese. They plan to set up a manufacturing base on a 30-acre site at Campinas, North of São Paulo, with a Brazilian partner, Montero Aranha, which will have a 51 per cent share in the undertaking. A Government permit for this project is expected later this year.

## Licence

The agreement also gives Beloit the right to manufacture Rauma-Repola pulp machinery under licence in the U.S. and Canada and exclusive sales rights in North America and Mexico. It therefore organises the whole continent for the two companies and provides Rauma-Repola with a way past the U.S. and Canadian import duties on pulp and paper machinery, which have become a severe burden for the high-cost Finnish manufacturers. Rauma-Repola has averaged sales of pulp machinery of about \$100m a year over the past decade, but after the boom in pulpmill investment at the beginning of

the 1970s petered out, it is looking hard for new orders.

Ahlström has made an unheralded entry to the Brazilian market through the Kamyri group, which has had an engineering shop for cooking, washing and bleaching systems in operation there for the last eight months. Kamyri claims to be the world leader in the production of such systems. The group, which had rather disappointing sales of SKr 100m (\$21.8m) last year, has concentrated on producing pulp equipment designed to reduce energy consumption and to meet stringent environmental requirements.

Last month (Ahlström) notified up orders for the rebuilding of three paper machines, two from domestic customers and one from West Germany. This was a welcome indication that prospects may be improving. Last year some 70 per cent of the PM 668m sales made by the company's engineering division came from pulp and paper machine deliveries but the figure will be lower this year because of the decline in the order intake in 1977.

Ahlström has probably gone furthest of the Finnish manufacturers in co-operating with

the Russian producers. It has been involved in joint bids with the Russians in Czechoslovakia and Bulgaria but its experience so far has been that considerably more work needs to be done on solving the practical problems involved in such co-operation.

The Finns have for some time been convinced that the Continental paper-makers will be forced into modernisation programmes, which would in turn open up opportunities for Finnish equipment. These hopes have not yet been realised but the Finnish pulp and paper machinery manufacturers have been preparing their positions in territory which has been previously dominated by other suppliers.

In France TVW has made a licensing agreement with Ahlström, and Ahlström bought a 68 per cent share in Pierre Hansen in 1976 with the idea of being ready for the restructuring and expansion of the French paper industry. The Finns also have an eye on recent investigations into the wood resources of West Germany, Austria and Switzerland, which indicate that potential supplies are much larger than previously estimated.

W.D.

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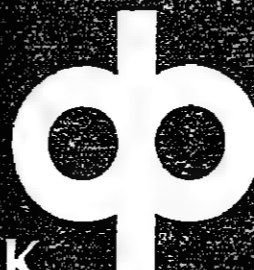
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## Forest

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12.4 per cent in volume and 26.3 per cent in value over the corresponding period in 1977. But there are strong reservations to be made about these figures. Deliveries were exceptionally low at the beginning of 1977 and the average monthly rate of shipments in the first quarter was no higher than the monthly average for 1977 as a whole. Some prices have been improved but in the wood-free grades, in which the Finns badly need price increases, there is little hope until the chemical pulp price has been stabilised.

The sawmills did much better last year, increasing exports by 12.9 per cent, which brought the volume back to 83 per cent of the 1973 level. The higher prices obtained at the start of the selling season meant that a value of sawn goods exports rose by as much as 38 per cent. Prices fell again in the autumn and prospects for this year are more doubtful. The panel industry—plywood, board and wallboard—in the goldrums. Both on and exports declined in 1977 and this has been the most hit of all by the forest sector.

eral the Finnish forest is on the way up again rate of progress is

tantalsingly slow. There should be a further increase in exports this year, probably larger than the 5.4 per cent achieved in 1977, and the combined effect of the devaluation and firmer prices in some grades should provide an even larger growth in income. To judge by the first four months prospects for the pulp mills are promising.

But the cost structure of the industry as a whole continues to be a fundamental weakness. In spite of the successive devaluations and the labour shedding rationalisation at the mills the cost/price balance has not yet been restored. Strenuous marketing was responsible for a large part of the increase in export income last year and the industry is still waiting for a real improvement in demand from its main West European markets. Its short-term prospects are also tied to another outside factor, the performance of the U.S. economy and the movement of the dollar. At home it has to rely on the Government—and any new Government formed after the general election—persisting with the industrial cost-reducing measures it initiated last year.

W.D.

## FINLAND VI

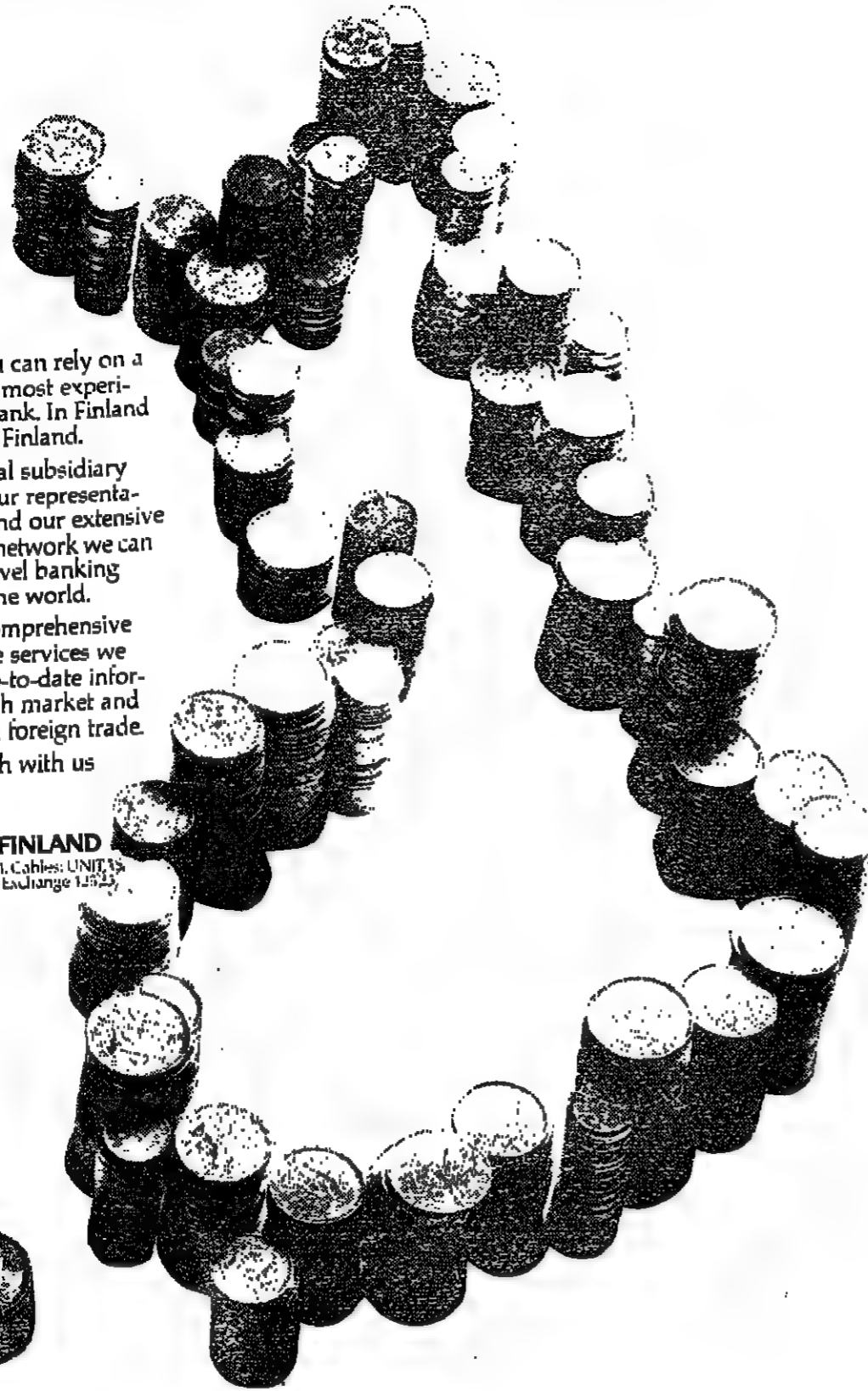
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Britain was for long Finland's biggest trading partner, and the tie has sentimental as well as economic strands. On this page Lance Keyworth, Helsinki Correspondent, and Jeffrey Brown interview the British and Finnish Ambassadors and leading Finnish businessmen and industrialists for their views.

## The British link

### Sir James Cable

British Ambassador to Finland

Sir James Cable said: "It is rewarding to experience the intense interest taken by the Finns in everything that is British: our language, our literature, our traditions, even our politics. Of all the many reasons, some of them stretching back into the past, for this interest, I want to mention in this connection only one—trade."

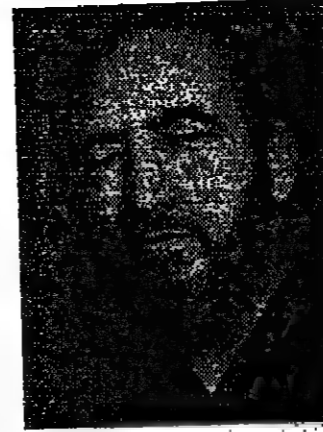
"Everyone knows the importance to Finland of the British market. Britain was for long Finland's largest customer, slipping to third place only during the last three years. But Britain still provides a bonus unmatched by any other of Finland's trading partners—a regular annual surplus on the balance of trade amounting to £250m. Britain also buys more from Finland's staple industries—wood and paper—than any other country."

"What is often forgotten is Finland's importance to Britain: eighteenth on the list of our overseas suppliers. As a customer it was only in 1976 that Finland dropped out of the top 20 British export markets; only in 1977 that Finland did not buy more from Britain than did the Soviet Union. Even today Finland ranks twenty-second among overseas customers for British goods, higher than such traditionally British-oriented countries as India or New Zealand."

"In 1977, the 5m Finns bought twice as much from us as did oil-rich Libya; four times as much as the 130m people of Indonesia; more than five times as much as the 900m people of China."

Sir James concluded: "This trading relationship was once even more important to both countries. In the early fifties the British share of Finnish imports was 20 per cent. Today it is only 9 per cent, itself a slight improvement on the ratio I found on my arrival in 1975. I want to see that share further increased. British exporters have an enormous advantage: English is now the second language of Finland. Sales require only the right price, quality and delivery date—and of course the simple pleasure of a visit to Finland. Today, when Finland is beginning to emerge from depression, is the day to start."

L.K.



Sir James Cable

### Richard Totterman

Finnish Ambassador to Britain

"The name of the game is diversification," says Finland's Ambassador in London, Richard Totterman, plucking at a word to describe the way trade between Britain and Finland is presently proceeding. "We need to extend our trading base in the UK beyond the range of pulp and paper products that has tended to dominate the trading exchanges between our two countries."

Round at Chesham Place, SW1, the embassy staff have not quite reached the stage where they feel they can safely uncross their fingers, but it does look as though Finland's policy of creating new markets is beginning to pay dividends.

Despite some erosion in recent years, Britain remains one of Finland's most important trading partners, and in consequence the Finnish Embassy takes an intense amount of care over its commercial relations with the UK. In recent years this has meant the steady promotion of "modern design products" in the furniture, textiles and electronics fields. "Our goods are aimed at the middle to higher income earner. We can not hope to compete successfully in your mass-produced market," explains Mr. Totterman. A 51-year-old professional diplomat whose connections with this country go back to his days at Brasenose, Oxford.

He seized eagerly on Finland's recent decision to purchase the Hawk ground attack trainer aircraft as a prime example of his country's keenness to expand markets here. Aimed specifically at widening trading links, this £100m deal with Hawker Siddeley took several years to set up and involves the purchase of enough Finnish goods by Britain to offset its



Richard Totterman



Helge Haavisto

total cost. Already over two-thirds of the reciprocal buying deals have been agreed. "The Hawk deal is a tremendously important step, and Britain, towards this kind of increase, cooperation in the industrial sector in both countries, either has their own markets of industrial goods."

"We are very well aware of the technical and physical potential of the British metal industry to carry out large and interesting projects, but we are also convinced that Finland today offers many advantages that would be useful to the British. I myself represent a steel company that has maintained very close connections with the British steel industry and the mechanical engineering branch of the sector. We have acquired from Britain, inter alia, three rolling mills with equipment."

From my own practical experience over many years I can state that our cooperation with the British has been smooth and, what is more important, the plants we have built have proved to be technically first-rate. Over all these years I have summarised the way the English have handled affairs in the UK. I would also say that the co-operation has brought us good personal friends."

L.K.

### Nils G. Grotenfelt

Chairman of the Finnish-British Trade Association

Oy Tampella AB is one of the largest conglomerates in Finland only for a large part of our domestic consumption but also sell on the world market, not least in Britain.

"Both parties aim co-operation in the spirit of the times for increasing volumes, and not even the wonderful time of EFTA could continue for ever. It was soon followed by the Common Market which at least for us was more troublesome and difficult. This has often occurred at the cost of profitability and price levels, and has been followed by more or less serious economic crises which have further complicated normal trade."

"Whatever problems may arise in Finnish-British trade, one thing is certain. For us over the years, one of the big points for Finnish industry and trade has been British fair play and the open attitude, often tinged with humour, to all problems and situations. This makes the trade both an educational and positive field for those who are able to participate in it."

L.K.

### Jarl Kohler

Head of UK operations of the Finnish Paper Mills Association

First through EFTA and then via agreements with the EEC, has to pay on its exports to Finland's timber-related trade since 1960. Today Britain consumes around one third of total Finnish exports of paper-based products and trading in this area accounts for something like three-quarters of the total exchanges between the two countries.

Mr. Jarl Kohler, who heads the UK operations of the Finnish Paper Mills Association (the sales organisation for the Finnish paper industry), points to these statistics with Nordic gravity. And as if to illustrate more graphically the importance of the trading links between the two countries, he adds: "All the problems of the UK are the problems of the Finnish paper sector."

The 43-year-old Finn feels that the worst of the recession is over, however. "We expect sales to improve by up to 5 per cent in 1978." This is not to say that slack demand is suddenly a thing of the past. But a trading base does look to have been found, competitive pressures have evened themselves out and Mr. Kohler looks forward to a progressive lower-

ing of the duties that Finland has to pay on its exports to the EEC.

In this country Mr. Kohler's uphill struggle to keep his sales budgets in trim has been hampered almost as much by Fleet Street and its troubles as by economic recession. Of the 750,000 or so tonnes of paper and paper-related products that Finland hopes to sell here this year, 350,000 tonnes will be in the form of newsprint, with magazine types of paper accounting for a further 200,000 tonnes.

Falling circulations, strikes and a general tendency in recent years for the UK publishing houses to cut back newspaper sizes have all been part of the process of regression that Kohler and his team (there are sales outlets in Manchester, Edinburgh and Bristol as well as London) have had to survive.

However, Mr. Kohler feels that this year will see his industry turning the corner. "We have to concentrate very hard in order to maintain our market share. Competition is keen but there should be plenty of room for everyone."

J.B.

## For the world's most discriminating TV-audience

The most modern and highly-automated colour picture tube factory in the world is now nearing completion in Finland. Production at the Valco Oy plant will begin this summer. In the initial stage output will be 400,000 picture tubes annually, and will double as the plant enters the second stage in 1980.

Valco Oy has purchased 3 million pounds worth of machinery and equipment for its plant from Britain. Some key components for the colour picture tubes will also be purchased in Britain.

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ship to production of thin-neck picture tubes equipped with in-line electron guns. These tubes represent the most advanced technology. They achieve a sharper picture and truer colours. The self-converging deflection yoke and the picture tube are integrated to offer improved convergence and reduced power consumption, which in turn lengthens the life of the TV-set.

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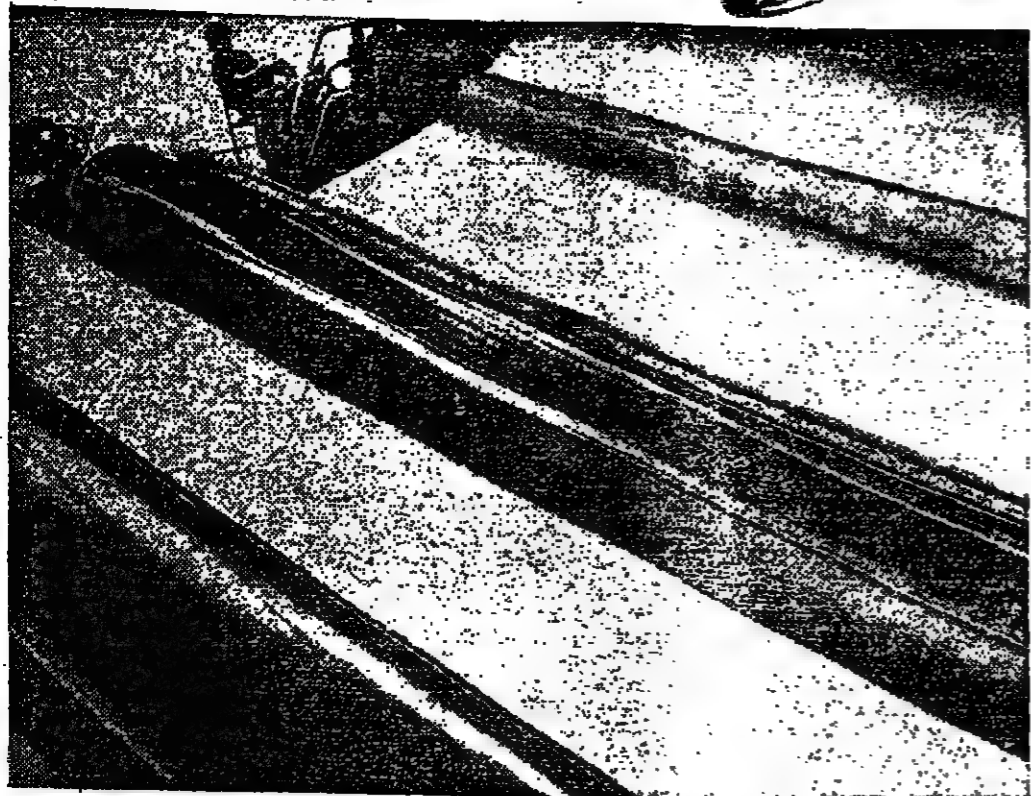
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هكذا من الأصل

## FINLAND IX

# Enjoying life despite the climate



Oy Kauhas Ab's super calendar paper mill.

"FINLAND IS a beautiful and wonderful country, but hell's bells, just try living there." So goes an old Finnish saying. Well, this writer has tried for close on 32 years, has survived, and has enjoyed it. Not all of it, but most of it. It is a beautiful country of forests and lakes and clean air and water, good theatres and concert halls in the towns and good casts and orchestras playing in them, impressive architecture, good inter-urban communications, and so on.

It is estimated that about half the Finns living in urban centres are only a generation removed from their homesteads in the country, which might explain their longing to get back to the grass roots whenever the opportunity offers. They will fill the theatres and concert halls when they are in town, but equally will fill their country cottages during the summer (and even winter, for skiing). There is something of the poet and a peasant about this.

It is a delightful, actually necessary, way to live. But it can be exasperating for the outsider. Except for those who like cross-country skiing, and most Finns do, the winter is long, dark and rugged. But winter or summer, fresh air is the thing and half of Helsinki takes off for the wilds at Christmas, Easter and midsummer, much to the chagrin of visiting businessmen and journalists.

It is even worse between Midsummer's Day and some time in August, when half of Helsinki from it all. Yet most of them are constantly entertaining But the ordinary Finn often has its own sauna and, if it is

they are lucky enough to have any. Sunshine or not, the Finns want to get back close to the earth, in the best sense of the term, to re-charge their batteries, so to speak. It seems to be added to this number in the summer but few of them invade the privacy of the summer cottage.

Country or town, if there are guests or it is a feast day, there will be burning candles on the table. That is almost de rigueur. There will also be colour—bright table mats, a sprinkling of colourful vegetables in the stew or the salad, and gleaming glasses of Finnish design. Colour and design have become very important in Finnish homes, at least to women. The men do not always appreciate these refinements.

## Primitive

Conditions there can be fairly primitive. All the water has to be pumped from a well or fetched in buckets from a nearby lake. Why the housewife, who in town has hot and cold running water, an electric stove and a washing machine, chooses this hard work for a few weeks in the summer is a mystery.

But she is used to working hard. In town, even if she has a job, when she comes home she puts on an apron and starts to cook. The man comes home from his day's work at the desk, takes off his coat and settles down in the armchair to await the call to dinner.

Another old legend is that the Finns go off to the country in order to be alone, to get away from it all. Yet most of them are constantly entertaining But the ordinary Finn often has its own sauna and, if it is

country in the winter. The President of Finland, who is 78, used to do it every year until recently.

There are one or two other things the Finns do which could come under the heading of sport. One is to walk out on to the frozen sea or lake and spend a day dangling a hook through a hole in the ice in the hope of catching a tiddler. There are even national championships for this form of torture. Another is the totally frightening habit of sawing a large space in the ice-covered lake or sea and having a dip there. There are Finns who do this every day and say that it keeps them free from diseases the year round.

## Sauna

Whatever is written about Finland, the sauna inevitably comes into the story somewhere or other. The sauna is not actually Finnish, though most Finns tend to think it is. This is understandable, because they have preserved it in its purest form. Essentially a sauna in Finland means that you strip off your medals and dignity and go stark naked into the steam room where you could boil or fry an egg in the heat. Unofficially, there is a Helsinki Club to which belong the heads of state and premiers who have had a sauna with President Urho Kekkonen, and they include kings and princes. Some enthusiasts estimated that there were nearly 700,000 saunas in Finland in 1960. There must be many more by now, for every new house built has its own sauna and, if it is

a fairly luxurious house or block of flats, its own small swimming pool. Most of these have an electric stove. But the nicest are the country saunas, heated with dry birchwood which has a delightful aroma. The ritual is that you sit naked on the bench in the steam room, pour hot water from the stove on to the hot stones and sizzle in the steam for as long as you like. You then dive into the lake or roll in the snow or take a dip through a prepared hole in the ice, and go back for more if you feel like it.

When the winter is over and the first rays of sun with any heat appear, all the Finns in the streets appear to be looking skyward, as though watching an aerobatic display. From then on the preoccupation is to catch as much sun as possible. The lovely girls reappear, dressed in very little. Where they go in the winter is a mystery.

L.K.

## Engineering

CONTINUED FROM PREVIOUS PAGE

few bright spots in the gloom besetting the engineering industry but even as they stand at present they cannot solve the problems in the longer term. The industry has been working on a heart-searching analysis to find the main requirements for a solution to the present critical conditions. These cover both the domestic and the export market.

Perhaps the top requirement which is within Finnish control is tax relief. The present turnover tax raises the price of investment goods by 16 per cent and weakens competitiveness accordingly. As part of the so-called stabilisation-stimulation programmes, this tax has been temporarily rescinded until the end of this year for new productive investments—but the measure is only temporary. Industry has been lobbying for years for a change to the VAT system but the Left-wing parties will not hear of it.

Another requirement is that the State improves the ability of Finnish engineering companies to grant credit terms that are at least as favourable as those offered by their competitors. Within the industry, if there is a need for further

rationalisation and diversification of production but this requires capital which is still in short supply and likely to remain so for some time.

New ideas are being developed—and in part have already been implemented—in the export field. The thinking is that there should be some re-orientation, a move away from the old markets which have long had similar economic problems to those of Finland towards new markets. Examples are Brazil, the oil-producing countries and South Korea.

## Barriers

The TVV (Tampella-Velvet-Warilla) paper machine group recently announced that it will be opening a factory in Brazil where, because of the high tariff barriers, the market has hitherto been a relatively closed one. It is going into partnership in the new venture with the Brazilian Pilao group and the investment company Brasilinvest. The Brazilian partners will hold 52 per cent of the shares.

The TVV, already has co-operation agreements with manufacturers in Japan, West Germany and France. Rauna-

Repol Oy will be co-operating with Beloit in Brazil to build a plant to supply pulp-making machinery in that market.

Rauna-Repol also signed a contract recently to supply a complete pulp mill to South Korea where, in co-operation with Outokumpu Oy, it is already building a copper smelting plant. In short, export sales are to be intensified by establishing sales, maintenance and manufacturing units in the main and most promising markets.

Finally a few words about the electrical engineering and electronics branches, which account for about 15 per cent of the total value added of the metal and engineering sector. The electronics branch—radios, TV sets and tubes, and telecommunications equipment—seems to be fairly buoyant. But with all the debate about energy savings the heavy electrical industry—electric motors, generators and transformers—cannot be too happy about the future. Orders are not coming in fast enough, especially as most of the major conventional and nuclear power plant projects are nearing completion.

L.K.

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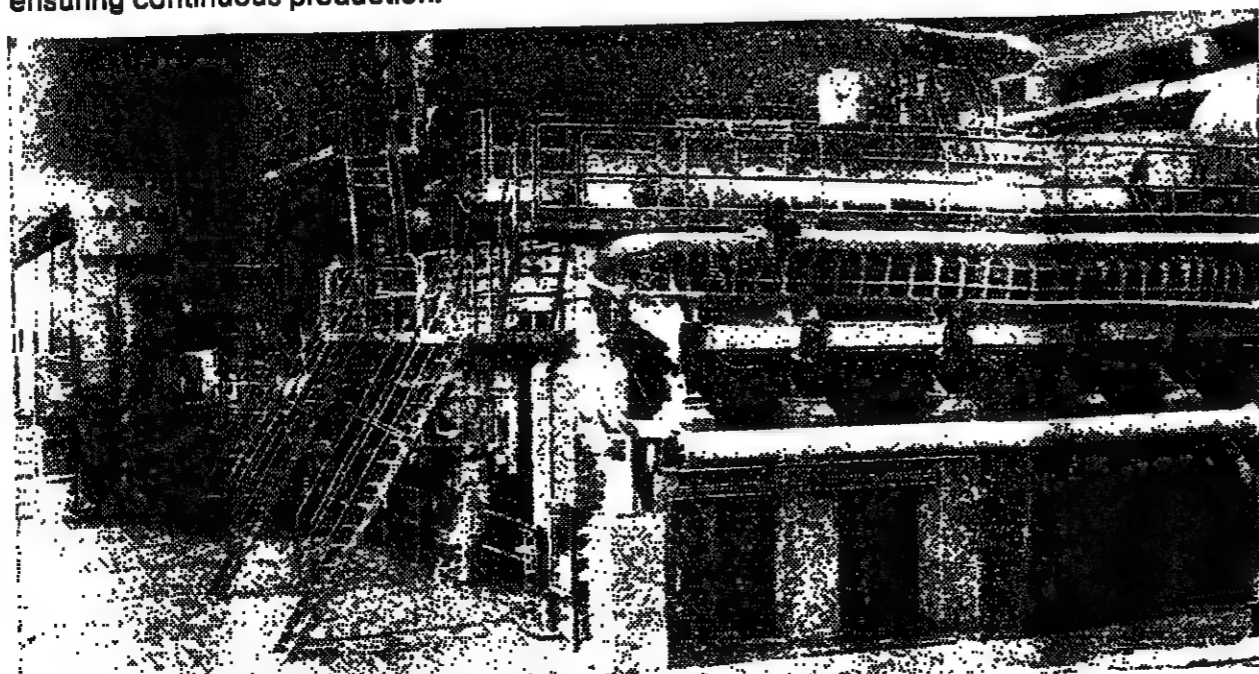
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## FINLAND X

# Construction projects

FINLAND IS a country with climatic and natural conditions ranging from one extreme to another: harsh winters and hot summers, granite bedrock and swamp, lakes galore and long distances between settled areas. When the country started its second "industrial revolution" after World War Two, the huge construction projects involved put the planners, engineers, architects and so on to a severe test. They came through with flying colours and enriched their experience and know-how. But the country, though large, has only 4.7m inhabitants. Infrastructure has been continuously improved but by the late sixties the construction industry had reached the situation where it had outgrown the country. By the beginning of this decade it was accounting for 20 per cent of the Gross Domestic Product. There was only one place it could go and that was abroad. As exports are vital for Finland it seemed to be well worth a try.

The first and most natural market was the Soviet Union, right on the Finnish eastern frontier. It was possible to use Finnish equipment, Finnish materials and Finnish labour for work a few miles into the Soviet Union. Projects to hit the headlines included the Pajajärvi forestry centre (stages one and two were valued at about \$67m), Svetogorsk (enlargement of the cable paper and pulp factory and related jobs, valued at \$107m), a cellulose acetate factory also in Svetogorsk, and Kostamus mining \$300m, and Kostamus mining \$300m, and Kostamus mining \$300m.

As these projects progressed and successfully or were completed, Finnish construction groups began to look further afield, especially to the Middle East and some parts of Africa, mainly Nigeria. But they are also making feasibility studies in South America.

Finland's contractors signed contracts in 1977 for over 30 new projects worth about \$1.2bn. This is more than the total value of all the export projects of the period 1960-1976. Some \$700m of this was the Kostamus contract for the planning and construction of a mining industry combine and a town for 10,000 inhabitants in the virgin wilderness of Kostamus. But \$400m was for new contracts in the Middle East. Finnish contractors are now working in 30 countries.

These statistics come from the central organisation of the construction industry, the Association of General Contractors of Finland (AGCF). Its member companies accounted for about 80 per cent of the production and its share of the country's second "industrial revolution" rose to Fm 4bn (£525m) at the end of December, 1977, exchange rate 1977.

The association keeps its members informed of projects being test. It often has representatives on Finnish trade delegations to foreign countries and helps to assemble a consortium. The managing director, Mr. Lauri Reunala, says: "Contracting exports are now recognised, they were not earlier."

### Exports

According to the AGCF contracting exports increased by 85 per cent to near \$300m in 1977. The Soviet Union remained the biggest individual market, accounting for 45 per cent, followed by the Middle East (32 per cent), Africa (12 per cent), Comoros (7 per cent), the USSR (7 per cent), and West Europe (4 per cent). Up to now residential and industrial projects have been the most successful, accounting for 25 and 55 per cent respectively, with commercial building and civil engineering taking the rest.

Mr. K. P. Savolainen, export engineer of the AGCF, says that the services offered by the construction companies of Finland cover the building of comprehensive communities with all facilities, water treatment plants, water supply and sewage systems, schools, hospitals, hotels, silos, cold stores, roads and bridges, infrastructure, basic factories and systems. Indeed all of these services have been carried out, or are under construction not only in the Soviet Union but in the Middle East.

In Saudi Arabia Finnish companies are involved in large projects related to water supply and residential areas. A residential project valued at \$150m is under way in Iraq. A \$150m contract has been signed with Iraq for the building of a network of vocational schools. Most of the major projects in Nigeria have been for residential housing, including whole urban areas. Perushtyö, one of the biggest member companies of AGCF, has established a subsidiary in Nigeria. Its first project was a small housing area of 100 residential units on Victoria Island, Lagos. It was completed in seven months.

Some of the Finnish projects involve building in areas where others more or less build. In Abu Dhabi, for example, a flour mill, grain silos and storages, fibre houses and three timber frame schools. There are other Finnish companies working in this territory though they do not build. One is Parasten Rakkis Oy, which commonly known as Parasten. Among other things it has factories to make housing components. Two of its recent contracts were with Saudi Arabia and Kuwait.

The Saudi deal was a joint venture with YIT, a member of AGCF. The delivery comprised a components factory and the installation of machines, plus the technical know-how for the start of the factory to serve the building industry.

It is an example of the way trade is going. The contract was actually signed with a local company styled Mapco, in which Parasten and YIT each have a 7 per cent holding. Finnish companies are quite willing to engage in this form of international co-operation. Finnish have to do so, they say, to be able to supply all the labour and the shipment of building materials to far away places in the Middle East would put them at a competitive disadvantage.

"We are contractors," says Mr. Reunala, "and we have the responsibility. But we operate with Finnish architects, consultants and engineers and with contractors on the spot. There are problems in these ventures. In the Middle East insurance was a problem, but now the Finnish Export Guarantee Board covers the demand clause. Financing is not perhaps the worst problem in the oil-producing countries, usually pay cash on the barrel head. But skilled staff for the ever-increasing trade may prove a serious difficulty."

"We estimate that Finnish contracting exports will rise to \$400m this year, and \$500m in 1980 (at 1977 prices)," says Mr. Savolainen. "This means that foreign operations will account for about 10 per cent of the value of Finnish construction investment in 1980. But we seem to be running out of skilled staff. We are now going to organise special training courses for export personnel to manage in our export markets, and so on. If our estimate is right, we will need an additional 3,000 engineers in the coming three to four years."

## Dependence on imported oil

ENERGY POLICY in Finland, a country with limited power resources, suffers from the same lack of certainty about future demand as in other industrial countries, but its future is firmly based on the need for flexibility in sources of supply.

Like other Nordic countries it has a high per capita use of power due to the energy intensity of its industry and the cold northern climate, although it has a highly developed system of energy saving through recycling of heat both in industry and for domestic use.

More than half the country's energy requirements are met by imported oil, of which 67 per cent came from the Soviet Union last year under a bilateral trade agreement. A further 12 per cent of needs were met by imports of coal (mainly from Poland), 13 per cent came from hydroelectric power and 15 per cent from domestic fuels.

Nuclear energy, which will soon become more important, made up only 3 per cent of the total, natural gas from the Soviet Union, another 3 per cent and imports of electricity from Sweden and the Soviet Union, the remaining 1 per cent.

Clearly the country's high dependence on oil, particularly from one main source, is a cause of some concern although it provides the basis of Soviet exports to Finland under the successful series of five year trade agreements, the next of which will begin in the 1980s.

Although electricity generation is based mainly on conventional coal powered stations, the majority of large industrial companies in Finland generate most of their electricity at their own power plants. Industry actually produces nearly half the country's electricity and consumes about two-thirds of it. It is therefore understandable that the country's nuclear energy policy is being developed along these lines, with two Soviet designed reactors (Loviisa 1 and 2) destined to supply national needs through the State electricity company Imatran Voima and another two Swedish-designed reactors to supply a consortium of industrial companies.

Loviisa 1 went critical early last year and the major civil engineering work on Loviisa 2 has been completed for some time, although equipment delays have held up its completion. Last year Loviisa 1 generated at below full capacity of 400 MW but nevertheless contributed to a reduction in purchases of electricity from the two neighbouring countries.

The company set up to operate the so called "private" nuclear stations, TVO (Teollisuuden Voima Oy), is owned by member companies (mainly engineering and forest industry concerns) in proportion to the amount of energy they will use. State or publicly owned companies have a 42 per cent share of this equity at present, but this is likely to be raised to 50 per cent eventually.

TVO was established as a non-profit making company, clearly aimed at maintaining the member companies' traditional self sufficiency in power and giving them the benefit of cheaper power from big units. The two ASEA-ATOM reactors are now under construction on the island of Olkiluoto, off the passing through Paimionlahti.

CONTINUED ON NEXT PAGE

## FINLAND XI

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Steel exports  
hit hard

FINLAND'S STATE steel company, Rautaruukki, was last year hit by a substantial fall in domestic steel consumption but at present its main handicap appears to be Viscount Edouard Davignon and European Community steel policy.

Despite the fact that Rautaruukki made a loss of FM 111m in 1977, its performance in terms of a 33 per cent increase in output (to about 2.1m tonnes) and greatly improved exports, did much to justify recent investment which doubled its steel capacity.

However, since the introduction of the Davignon plan, exports into European countries have suffered severely. Last year between 35 and 38 per cent of steel exports went to Europe but things will be quite different this year, the company believes.

Under EEC arrangements with EFTA, of which Finland is a member, the company can sell at only 3 per cent below comparable European prices, an arrangement which Rautaruukki claims to be unacceptable in the conditions now prevailing.

Most steel buyers in Europe, Rautaruukki says, do not think it worthwhile to buy steel abroad to gain 3 per cent, taking into account the convenience of being able to place orders locally. At the same time various other countries such as Spain and Japan are allowed to sell at even lower prices, 8 per cent below domestic EEC prices.

Countries such as Sweden and the U.S. have proved to be good markets, but unless the Davignon plan fails to last, Rautaruukki faces a hard year despite some improvement in home demand. The start-up of two new production facilities could not have come at a worse time, and the company sees it as slightly ironic that it is in effect suffering because of lack of similar investment in EEC countries.

On the other hand its production costs are now much lower than those of most competitors and despite the underlying price weakness in world markets, this should ensure a better future. It will also be important for Finland's engineering industry that steel will continue to be available at competitive prices.

The privately owned Ovako Group, which specialises in pig iron, crude steel and rolled products and exports about half its production, has not fared so badly in European markets, although this could be a result of its greater specialisation than its State-owned counterpart.

Nevertheless, it too made a loss of FM22m during 1977 although without the dubious achievement of increasing output and sales of FM600m were slightly down on the previous year. However, it reports a considerable improvement in business in the first few months of 1978.

So far the company is rather less concerned about restrictions on sales in the EEC than with the depressed pig iron market, which hit production severely last year. Without State backing Ovako is also concerned about its liquidity position and had to go to foreign capital markets last year to raise short-term loans.

The company's continuing hope is that its product prices can be increased substantially this year and that its earnings in markets such as the U.S. and Britain can be improved after considerable success in those countries recently.

Without great resources for investment, Ovako plans to exploit its considerable technical expertise and develop new products. Its successful boron steel technology and its system of reducing fuel consumption in blast furnaces are both regarded as potential areas for this kind of development.

Unlike Rautaruukki, which has its own mines in Sweden to supply a large proportion of its raw materials such as iron concentrates and vanadium (for use in steels for nuclear plant reactors and other heavy duty materials), Ovako is largely dependent on imports of iron ore from countries such as Sweden, Norway and the Soviet Union and coke from Britain. It is also the main buyer of Finnish scrap.

## Competition

In the Finnish market Ovako faces considerable competition on its products, with around 1m tonnes a year of total steel imports (compared with total exports by Finland of around 700,000 tonnes), with Sweden, the Comecon countries and Britain the major importers.

The most important users of Ovako products are the vehicle, building, engineering and foundry industries. On the vehicle side the company has had some success in the UK market, selling to all the major manufacturers, but recently price levels have been hit by the low prices offered by the British Steel Corporation and by the fall in steeling.

Ovako also used to export around 70,000 tonnes of pig iron to Britain for the foundry industry. This trade has been severely reduced, although it is regarded as significant that even BSC is buying from Ovako in certain specialised areas.

The Finnish mining industry, despite increasingly cheap ore available from countries such as Brazil, makes a major contribution to the iron, steel and other metal industries. The mining sector is dominated by Outokumpu, which also produces almost all the country's considerable output of non-ferrous metals. These include copper, nickel, pyrite concentrates and cobalt. The company also has a large stainless steel division.

On sales of around FM 1.4bn last year Outokumpu made a

net profit last year of FM 6.7m and exports accounted for 77 per cent of turnover. Copper and copper alloy products made up 33 per cent of sales, zinc 18 per cent, nickel 10 per cent and stainless steel 6 per cent.

In all these metals Outokumpu has been operating at marginal profit levels because of the weakness in world markets, although the recent price movements on copper, particularly since the troubles in Zaire, have been encouraging for the company. The main long-term concern of Outokumpu, however, is the depletion of its mines.

Overall output is expected to remain the same for the next eight years and then decline fairly rapidly unless any large discoveries are made; this is thought to be unlikely. It is therefore damaging to the long-term future of the company to produce a high output of metals at barely profitable prices, as it has been doing recently.

With this in mind the company is looking abroad for opportunities. It has much to offer in terms of plant-building expertise and its technical export division showed a sharp rise in sales last year. Major

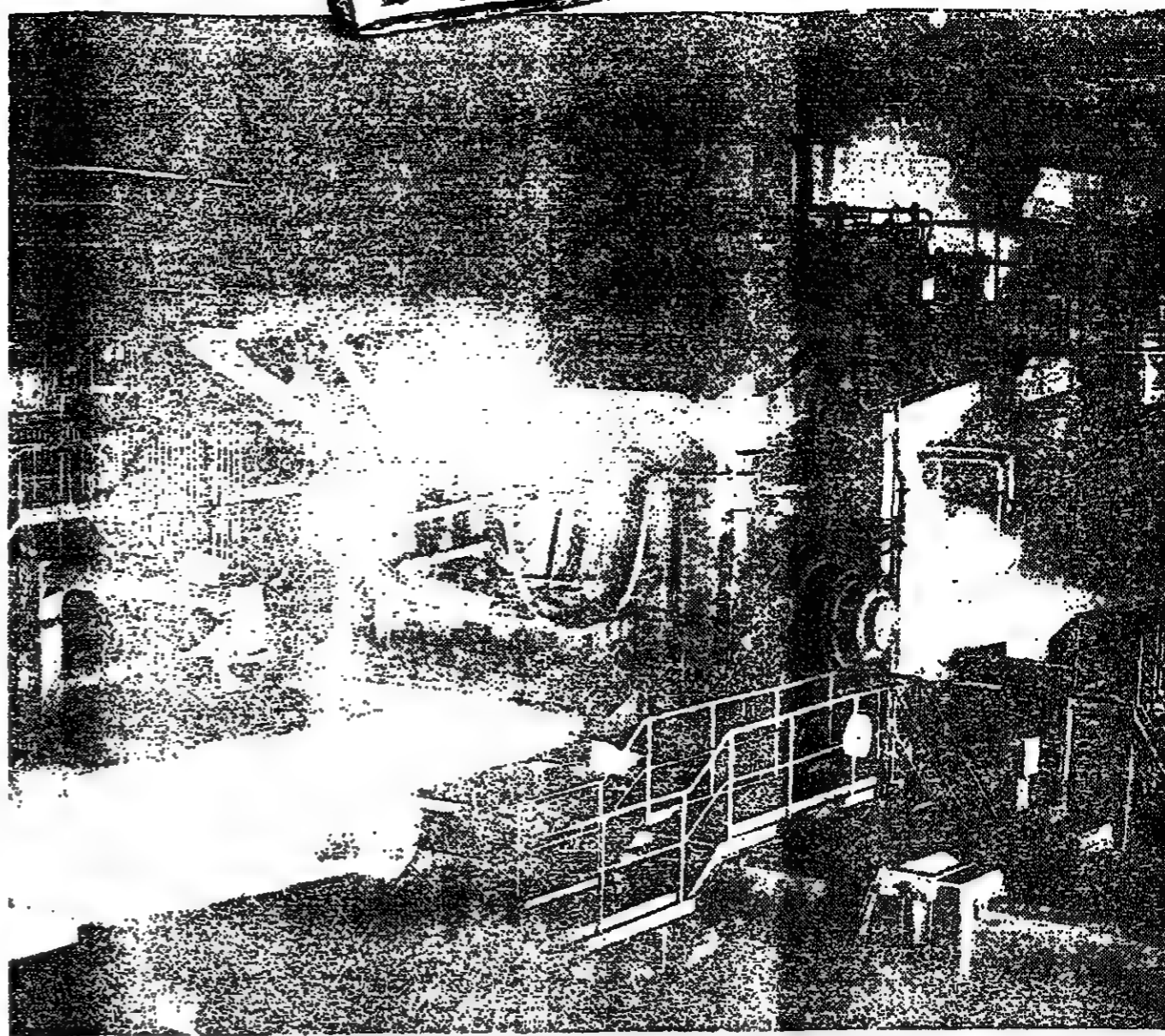
work last year included copper smelters for the Soviet Union and South Korea (in a consortium including Davy Powergas). Orders for the division at the end of last year amounted to FM 276m.

It is anticipated that the technical export division will account for up to 20 per cent of total turnover in five years' time, mainly because mining activities cannot be expanded significantly without further ore discoveries.

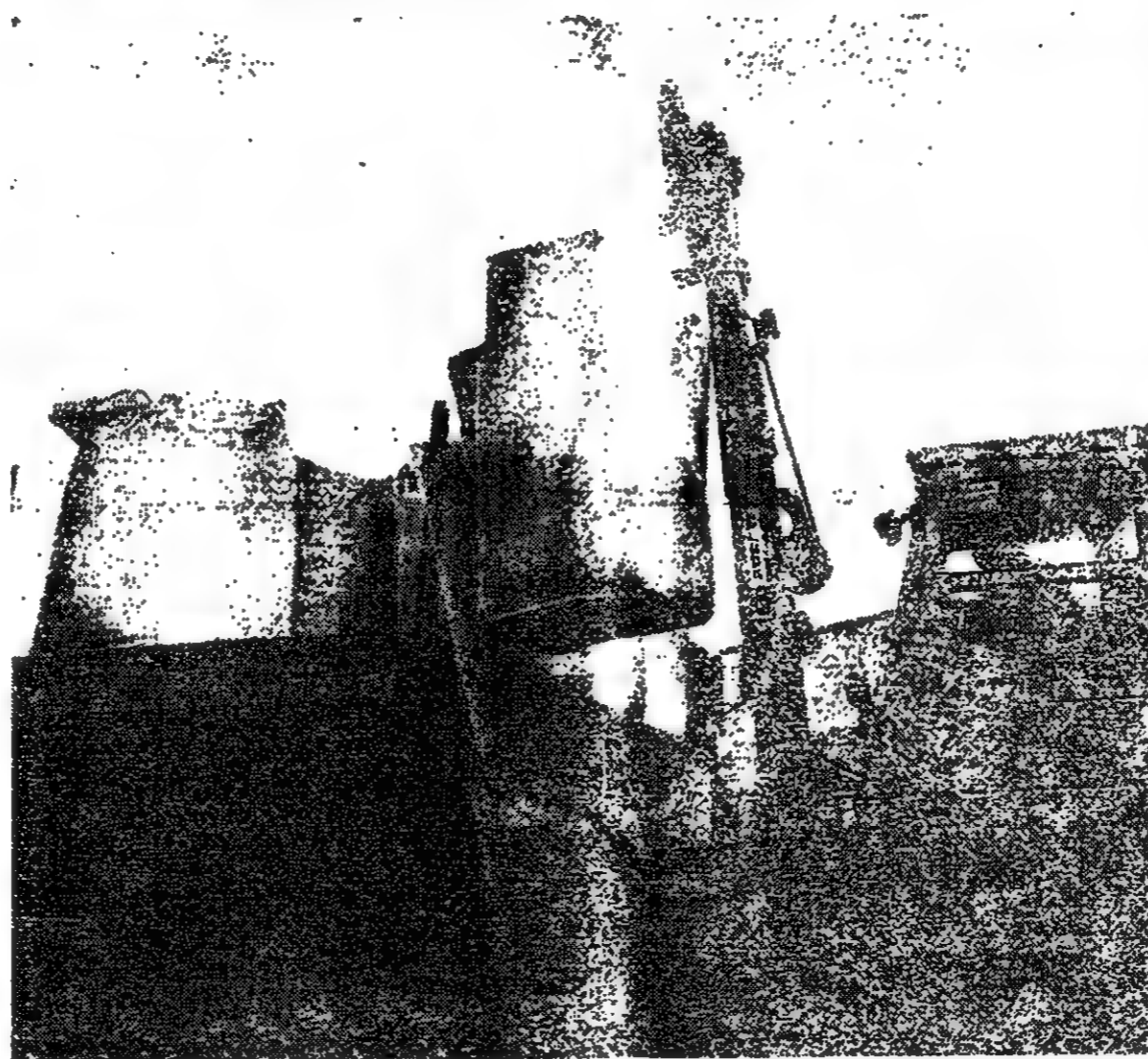
As with other industries in Finland, the mining and metals sector is increasingly dependent upon its skills developed over many years, but because of the lack of demand in home markets and in the case of mining the depletion of raw materials, it is having to look abroad for future earnings.

While the high quality and specialised nature of Finnish products will be helpful in achieving this aim, many other countries facing the same problems are looking abroad as well, and the competition facing Finnish companies will be extremely hard.

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Rautaruukki's new plate mill which was opened last year.

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## Dependence

CONTINUED FROM PREVIOUS PAGE

designed to limit the building of new fossil fuel power stations by private industry, thereby holding down ore consumption.

The State-owned oil company, Neste, prefers to take the view that while oil use for power generation will decrease, as it did last year, there is no real reason to believe imports will slow down significantly. With a newly developed refining capacity of about 15m tonnes of crude a year and an input of about 11m tonnes this year, the company would clearly like to improve this ratio.

It estimates that in 10 years time nuclear power will be providing perhaps 50 per cent of the country's electricity needs and for this reason it is preparing for a further reduction in output of heavy fuel oil which has already been reduced, partly as a result of higher sales of natural gas, also through Neste. The present gas pipeline from the Soviet Union extends to the industrial regions in the south-east of the country, but only around a third of its 3bn cubic metres a year capacity is now being used.

Neste, while satisfied with its oil import agreement with the Soviet Union, it is not so happy about the retarding in Finland of the refined products, which are its only challenge in an otherwise protected position as the only crude oil importer. It is also entering more competitive markets with its downstream petrochemical activities, but it is pursuing a policy of developing its potential in this

companies its scope for diversification is limited, mainly by its sister state companies which specialise in areas such as chemicals, nuclear and electricity supply. It does see potential, however, in its engineering expertise and specialist activities such as its know-how in the construction of underground oil storage.

Neste also sees export potential in petrochemicals in other Nordic countries, which have largely avoided development in that direction, and is concentrating on the development of smaller, flexible refineries. However, due to the small domestic demand for some petrochemicals. It is regarded as unlikely that investment in some sectors will ever be made.

## Estimate

The most recent estimate of energy demand in Finland is that it could grow by a minimum of 2 per cent and a maximum of 5 per cent a year by 1990 and assuming a median figure of 3 per cent, demand will not catch up with planned capacity until 1985 at the earliest and perhaps not even until 1990.

While the Finnish energy suppliers remain protected to some extent by Government pricing policy this overcapacity need not cause concern, but for Neste it is clearly a time to plan how to meet a rather different type of demand when the time comes. This is when the flexibility of its refining capacity will be crucial to its future.

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## FINLAND XII

# Tourist industry looks for growth

FINLAND'S MAIN attraction for tourists is its natural beauty, particularly the vast expanses of lakes and forests where visitors can be assured of a quiet holiday. But, regrettably summer in Finland is short.

The country earned Fm1.5bn last year from foreign visitors, about the same as the turnover of one of the country's larger industrial companies. About 3m people visited the country and stayed for an average of about three days. Understandably, the largest number of visitors came from nearby countries, notably Sweden (2m last year), Norway (300,000), West Germany (300,000) and Britain.

Helsinki, a city with a rich history and great charm, is nevertheless visited mainly by businessmen and tourists who are on their way to other parts of the country. Around 60 per cent of visitors last year were air passengers, but an increasing number of people are now arriving in Helsinki by cruise liner, many of them also going to other cities on the Gulf of Finland or the Gulf of Bothnia.

Although the appeal of fresh air and open country (including 80,000 lakes) is attractive to other Nordic people, they have to be persuaded that it somehow has more to offer than their own countries. They are, however, attracted by cheaper prices, probably the lowest among the Nordic nations.

West Germany is regarded as the most promising tourist market and the Finnish authorities are planning to spend around Fm75,000 on a promotional campaign there in the near future. In particular, it is hoped that more people will be attracted in the winter season there are signs that cross-country skiing is growing in popularity. The advantages of this it is pointed out, are the lower costs when compared with conventional skiing in the Swiss or Austrian resorts, the ease of learning cross-country skiing and its less hazardous nature.

The U.S. with 300,000 inhabitants of Finnish origin, has been a good source of tourists in the past, but this traffic is declining as their links with the home country become more distant.

Canada and Spain have more recently been the source of a rising number of tourists.

Although no figures are available, it is clear that by far the greatest number of visitors are businessmen. An increasing proportion of them are so taken with the country that they are returning with their families for holidays.

One of the major problems facing promoters of tourism remains a widespread lack of knowledge about Finland and what it has to offer. Research has shown that even its geographical position is, in doubt. Some people even think, for example, that it may be part of the Eastern bloc. A Finnair representative in the U.S. was recently taken for an air conditioner salesman.

"Our first task is often educational," a tourist official said. "We have to make people realise what Finland is like, then try to persuade them to visit us."



Lakes and forests comprise the bulk of inland Finland, and are among the country's major tourist attractions.

next five years, now comprises 33 commercial aircraft, four of which are leased. During the past winter the airline's timetable included 30 destinations abroad and 20 within Finland.

A high domestic density for an airline of Finnair's size, but necessitated by the long distances and difficulty of other forms of travel at certain times of the year.

The airline intends to purchase three replacement DC-8-51 models and in 1980 another DC-10, the aircraft it operates on its North Atlantic and other long routes. It is also planning to replace its eight Super Caravelles. An investment programme costing \$400m is planned.

Growth in airline traffic over the next few years is also expected to necessitate expansion of the comparatively new Helsinki airport, and Finnair has requested routes to the west coast of the U.S. It currently has five flights a week to the U.S. and Canada, but this is a comparatively small part of the company's overall activity, with a very high proportion of passenger kilometres being taken up with domestic and/or charter services.

Although the number of passengers on domestic routes declined by 6 per cent last year, the total volume of cargo carried increased by the same proportion. However, as a result of dearer fuel, higher airport charges and the high rate of inflation in Finland, fares were increased by 10 per cent at the start of the year.

The rise in air fares caused a sharp fall in demand and for this reason traffic was curtailed during the early part of the year. The decline in revenue

passenger kilometres was 11 per cent during the first quarter.

Prospects for tourism in Finland are now regarded with some optimism, although the authorities are faced with a hard task due because of the long winter and the difficulty in persuading the tourist industry to invest in new attractions which may only be used for three months of the year.

A number of new opportunities are also being examined, such as attracting more visitors from Japan, where Finnair has a service in the winter, and the possibility of more tourists from the Soviet Union, Finland's largest single trading partner.

About 30,000 Russians visit Finland every year, mainly in organised parties, but as one official said, with a potential market of 200m people, it is worth exploring the possibilities of attracting more.

Discussions have taken place on the feasibility of Finland promoting tourism on behalf of the Soviet Union, urging Westerners already in Finland to visit northern Soviet cities such as Leningrad. This will probably be encouraged by the recent introduction of a train service to there from Helsinki.

Much will obviously depend on the comparative costs of flights to Finland, and the effectiveness of advertising in Europe and the U.S. But with the advantage of comparatively cheap internal travel and wide open spaces to offer, Finland's tourist industry could experience some expansion in the coming years.

The decline in revenue

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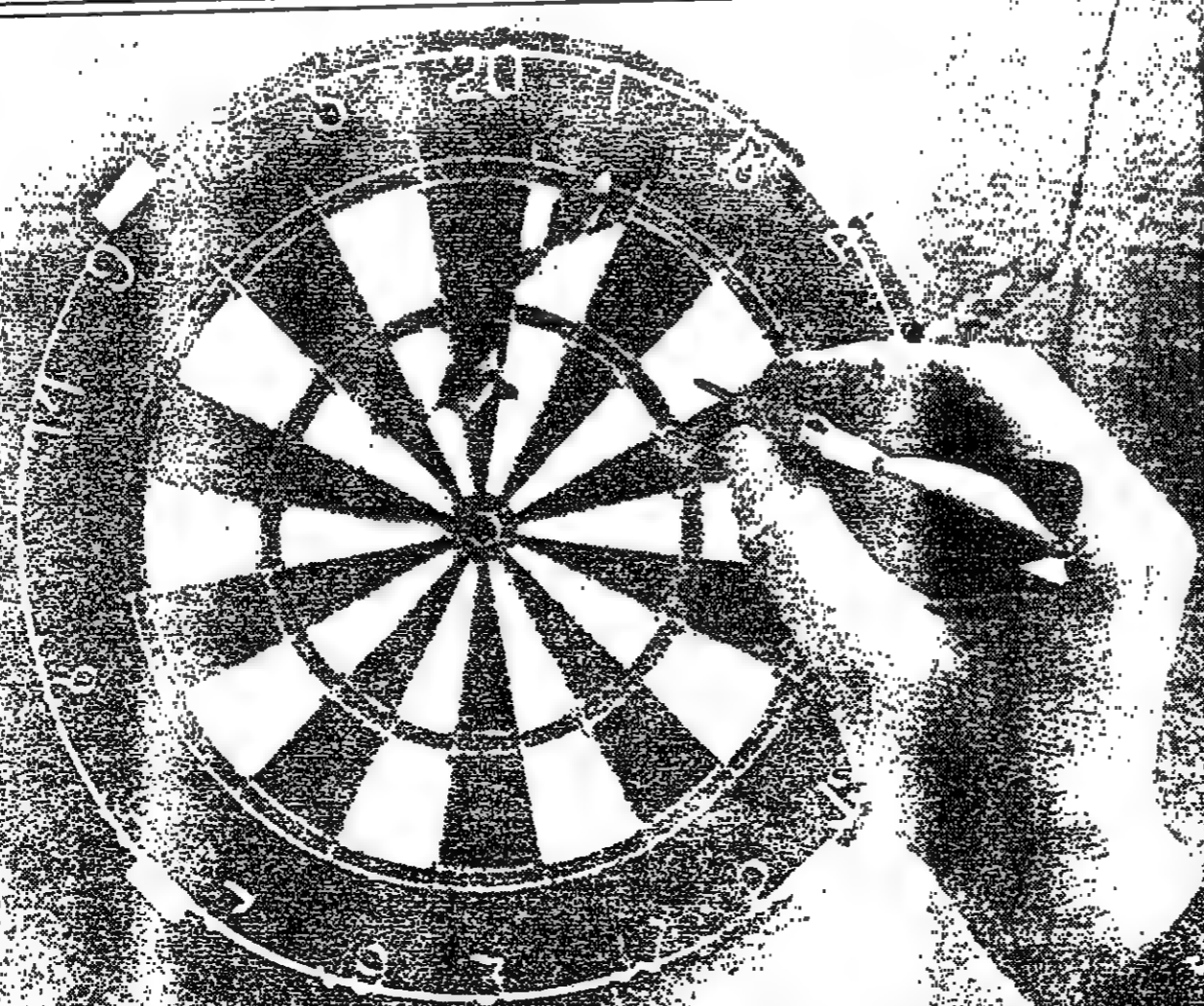
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## Exotic

An unusual and exotic area of the country which is attracting more visitors is Lapland, in the extreme north, where the midnight sun is only one of the attractions. For those who like something more adventurous it offers cruises on lakes in the wilderness, shooting the rapids by canoe and trips by reindeer sledge in the winter (when the sun is very much less in evidence). Kairankiertä tours (as they are named in Finnish) offered by Finnair last five days and four nights and include these activities plus the ubiquitous saunas.

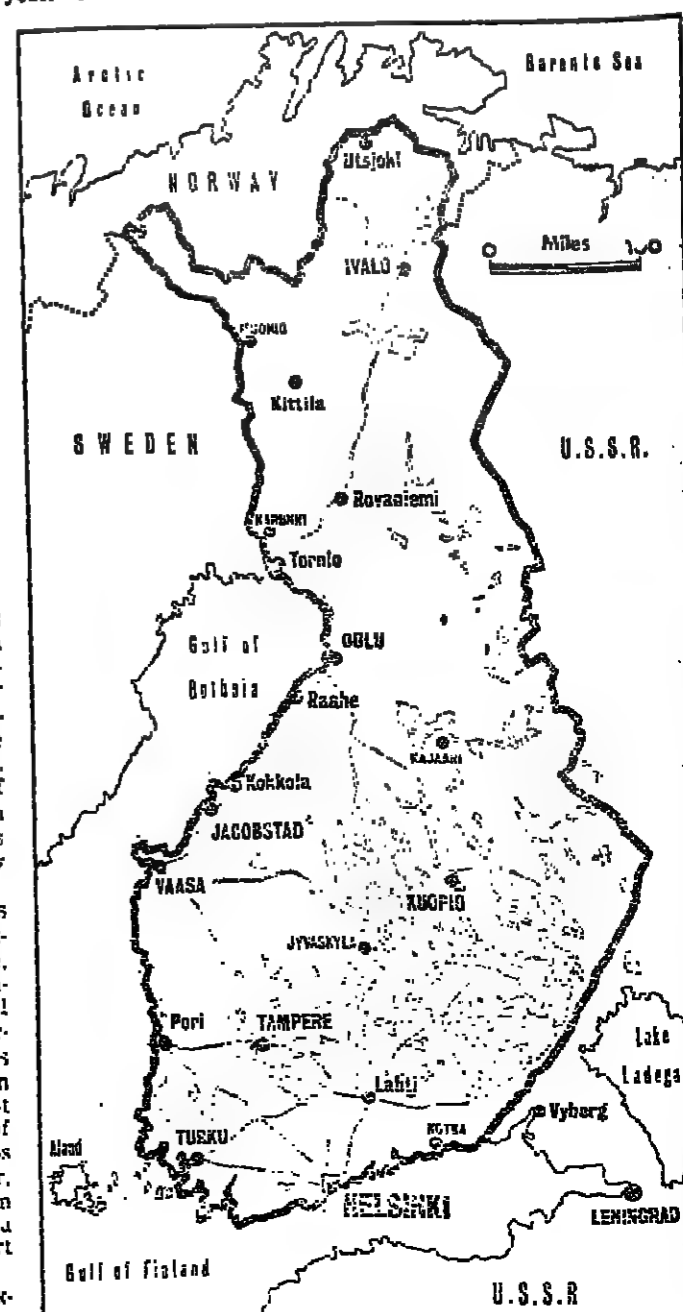
Finland, a country with a strong emphasis on rural activities, also provides a large range of festivals incorporating a wide range of traditional artistic activity. Perhaps the most famous of these is the Savonlinna Opera Festival, from July 9 to 30. Again, Finnair offers two to five-day tours from Helsinki to Savonlinna with prices ranging from around Fm 400 to Fm 1,000.

The historic cities of Turku and Tampere have music and theatre festivals respectively. Pori has jazz, and the small village of Kuhmo chamber music. The summer season is rounded off with a major festival in Helsinki in late August and early September.

In general, Finland's prices are favourable by Scandinavian standards with food and entertaining outstanding in many respects. Speciality dishes include a large range of fish, some quite unknown in other areas, which are served in a variety of ways, smoked, grilled and even raw in some cases, but always in a way which is typically Finnish.

The growth in the country's tourism owes much to the expansion of the national airline, Finnair, which offers comparatively low fares on internal flights, many of which are effectively subsidised by the airline's external routes. However, in the year ended March 31 last the airline carried a total of 2.6m passengers, slightly less than in the previous year, largely because of a fall in domestic traffic following a pilots' strike in the early part of last year.

The fleet, which is to be expanded considerably over the











## FINANCIAL TIMES SURVEY

Monday, June 19 1978

## Yugoslavia

For 30 years Yugoslavia has presented Europe and the world with an intriguing and successful exercise in non-aligned socialism. The popular mood is optimistic enough even to contemplate a future without the legendary Marshal Tito, now in his 87th year.

YUGOSLAVIA HAS come a long way since the publication on June 28, 1948, of a few lines on the inside pages of a Czech newspaper announced to the world that Yugoslavia had been expelled from the Cominform. Since then it has travelled its own road, pursuing the principles of national independence and non-alignment and its own particular admixture of authoritarianism and democracy. Just how far Yugoslavia has come since those harsh wartime and post-war years is likely to be spelt out in the speech which Josip Broz Tito, President of Yugoslavia and the League of Communists of Yugoslavia (LCY) is due to make tomorrow, at the opening of the Party's 11th congress. It is expected to be something of a political testament, surveying past achievements and expressing the faith that Yugoslavia will continue along its chosen path under the leadership of the League Communists.

## Vitality

Although 88, President Tito still shows extraordinary vitality. He recently completed an exhausting series of foreign visits which took him to the capitals of all three super powers. His visit to China must have been particularly satisfying. After years of vilifying Yugoslavia as arch-revisionist each of the six republics, two from the two autonomous provinces, one from the army, and non-alignment and independence from the super powers—particularly one of them—has sent several delegations to

study the Yugoslav system of self-management. Even Mrs. Thatcher declared herself impressed by Yugoslav achievements when she visited the country earlier this year.

At home too President Tito still keeps a close eye on political developments, aided by the small group of fellow partisans from the old days like Edvard Kardelj and Vladimir Bakarić. Over the years some of Tito's former close friends and colleagues—such as Miroslav Djilas or former secret police boss Aleksandar Ranković—have fallen from grace and now live in comfortable retirement. But only one relatively young man, Stane Dolanc, the tough but affable party secretary from Slovenia who helped to sort out the nationalist problems in Croatia and Serbia in 1971, has moved into the inner circle alongside General Nikola Lubjetic, head of the army, and General Franjo Herljević, the Minister of the Interior who is also in charge of the secret police.

But on an organisational level the top decision-making machinery within the LCY is being changed. The old executive committee of the central committee is to be abolished and the presidency of the country is to be cut down in size from over 40 to 24 members (three leaders from each of the six republics, two from the two autonomous provinces, one from the army, and President Tito himself). Since Dolanc, secretary of the old executive committee, is expected to be confirmed, as ideological and political

secretary of the new look presidency at the congress itself.

As for the top organisation of the Yugoslav Federal State, this has already been reorganised into an eight-man collective presidency (plus President Tito who is president for life). When Tito dies the mainly ceremonial functions of the President of

authority which up to now has been backed up by the authority of Tito himself. It was, and still is, an authority stemming from what a British academic once described as "an extraordinary mixture of banks and intellectuals followed. Yugoslav ideologists themselves Much of what has happened tend to underline the element in Yugoslavia since then has of continuity rather than the

in the Yugoslav system. Can the LCY be democratic and authoritarian, in favour of pluralism but opposed to a plurality of political parties, decentralised into a myriad of small cells throughout the economic and social structure of the country, but finally controlled by a small group of ageing men of the heroic partisan generation?

The answer is certainly "yes" while Tito lives and probably for some time afterwards while the partisan generation, which is also ageing, remains. Then it will be the turn of the next generation which will have to come to terms with a Yugoslavia totally different from that which emerged after the war.

But the strong degree of political continuity and economic progress since the war has done much to consolidate Yugoslavia's "unity in diversity." Having cracked down on a form of nationalism which could have developed into separatism, Yugoslavia's political leaders have had the courage of their convictions and tackled the national question at its roots by devolving many of the former federal functions to the republics and autonomous provinces.

At the same time what Edward Kardelj, the Party's principal ideologist, has defined as the concept of "self-management pluralism" or the pluralism of self-managed communities integrated in the system of delegates" has also led to a similar process of devolution of power within the republics and provinces themselves.

This is partly expressed in economic de-centralisation, which revolves around the so-called basic organisations of associated labour and their voluntary associations into larger units, and partly in much greater powers for local municipalities at a territorial level. The idea is that production decisions are best left to the producers, while local communal policies in the fields of health, education, culture and welfare are also best looked after by the consumers and producers of such services locally.

What the system is trying to create is a means of direct participation by people as workers, consumers and just plain people in the basic decisions affecting

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## Unshaken faith in its chosen path

By Anthony Robinson, East Europe Correspondent

Yugoslavia will be taken over by one of the eight members of the collective presidency on a strict rotation basis, similar to that operating in Switzerland.

All this is a slightly roundabout way of saying that the institutional arrangements for the post-Tito period are now known, agreed and ready to function when needed.

They go a long way to answer the question of what happens after Tito goes. Great care has been taken to ensure that the maximum devolution of power and responsibility has been by the then powerful Croatian and Serbian Banks and the universities and—most worrying

been concerned with exercising novelty of the new arrangements the spectre of nationalism and

That right was exercised to seeking to satisfy the legitimate aspirations of all the six nations changed is insistence on the "leading role" of the LCY and the refusal to countenance the creation of a multi-party system. There are those who believe that such a system might eventually evolve in Yugoslavia, but that

Hence the introduction of a new constitution in 1974 and a veritable cascade of new laws aimed at implementing and institutionalising the self-management principle in the organisation of labour, planning, loss of national unity and exchange, prices and incomes. It is at this point that one policy and the whole gamut of detects the basic paradoxes

## BASIC STATISTICS

Area:	98,766 sq. miles
Population:	21.6m
GDP (1975):	YD 503bn
Per capita:	YD 22,820
Trade (1976):	
Imports:	YD 134bn
Exports:	YD 88.8bn
Imports from UK:	£128m
Exports to UK:	£33.5m
Trade (1977):	
Imports:	YD 176bn
Exports:	YD 96.1bn
Imports from UK:	£175m
Exports to UK:	£40.5m
Currency—New Dinar:	
	£=YD 34.39

lies and provinces themselves.

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## NEWS FROM ENERGOINVEST

### SYSTEMS FOR AUTOMATIC DISPATCH CONTROL IN MODERN INDUSTRIAL INSTALLATIONS

ENERGOINVEST-Sarajevo, the large and complex industrial organisation of associated labour, is engaged in a wide range of production activities. Some of them are projects on a "turn-key" basis and are mostly carried out by building in the products from their own manufactures.

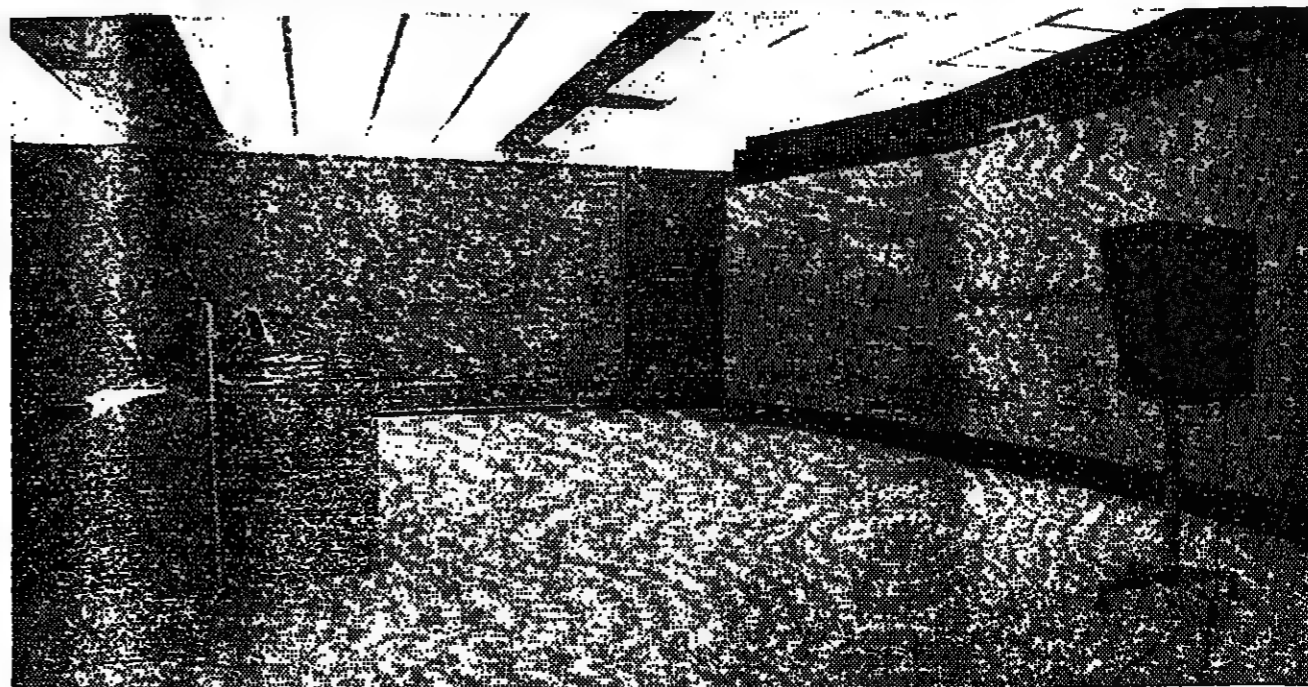
Today, in Yugoslavia and elsewhere in the world, production of electrical power is of primary importance. This concerns not only the supply of urban areas but even more the supply to industry. ENERGOINVEST has long-established experience in building complete projects of various types, which include also those for the production and distribution of electrical power.

Such complexes must, of course, be equipped with the most up-to-date systems for automatic control. This was the reason that prompted ENERGOINVEST, nearly 20 years ago, to supplement its factories producing electrical equipment and installations, with the Institute for research development and design in the field of automation. ENERGOINVEST has specialised factories for the production of these automatic control and safety systems in industrial processes. The systems produced by ENERGOINVEST are built into many industries such as electrical power, chemical, oil and food processing industries, coke and cement works, water supply etc. in Yugoslavia and throughout the world. An automatic dispatch centre for electrical power for a chemical complex in Iraq is in the process of being completed.

Systems for dispatch control Because of systematic planning over a number of years, ENERGOINVEST has created pre-conditions for its present successful activities in the building of information and

telecommunication systems and the elaboration of mathematical models and methods of optimum control. For the requirements of electrical distribution in Banja Luka, which covers an area of 10,000 km<sup>2</sup> and includes 32 transmission stations, ENERGOINVEST has built a dispatch centre for the control of the whole network of 100, 35, and 10 Kv. Within the whole system there is a processing computer which gathers information from a telemetric system. It processes and memorises this information and reports and shows the state of the network. A synoptic panel situated in the centre makes it possible for the dispatch controller to see the state of the power network and enables him to carry out all essential interventions for dealing with possible faults in the network.

Optimum distribution of power media With the exception of the system for dispatch control of one medium — electrical power — ENERGOINVEST produces also a control system for four power media: water, steam, gas and electrical power. ENERGOINVEST has built such a system for four media, within the complex of the "Steelworks and Mines Combines Zenica." The joint task of dispatch centres of power media in this steelworks is to enable the production and distribution of power media under the optimum conditions of safety and economy. A telemetric system for the exchange of information between the complexes and dispatch centres, as well as the computer for information processing, are used jointly by all four dispatch centres, whereas the peripherals, synoptic panel, screens and prints are used separately by each centre. These complexes were built by ENERGOINVEST on the "turn-key" principle, including the training of personnel.



Control room in dispatch centre — Banja Luka

Further information, may be obtained from: Public Relations Office, Energoinvest, POB.158, 71000 Sarajevo, Yugoslavia and Energoinvest London Office, Imperial Buildings, 56 Kingsway, London, WC2B 6DX.

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# Economic growth may be forced to slow down

AS THE Yugoslav economy moves into the second half of the current five-year plan period it faces the difficult task of meeting ambitious growth and investment targets while at the same time digesting some major constitutional and institutional changes which directly affect the running of the economy.

The problem is not growth itself, as last year's economic performance amply demonstrates. In spite of generally sluggish economic performance in both the Western and centrally planned economies last year, Yugoslavia managed to raise its GNP by 7 per cent and economic activity has continued at a similarly high rate over the first quarter of this year.

As usual, however, this high rate of activity, which significantly improved the productivity of many enterprises, was accompanied both by a rise in price inflation to 14 per cent, and a deterioration in the overall balance of payments.

These two factors are still causing concern. Last year's payments deficit totalled \$1.8bn, compared with a small surplus of \$150m in 1976. This in itself is not unacceptable as the 1978/80 five year plan budgets for a total deficit of \$4.7bn over the plan period, a figure which is considered well within acceptable financing limits and consonant with the heavy investment needs in plant and infrastructure.

In order to keep this deficit on track, however, the 1978 plan calls for a lower deficit of around \$1.25bn, which requires a considerable improvement in the trade balance this year. Last year exports rose by only 8 per cent (FOB), while imports (CIF) rose by 30 per cent. There is some evidence that a substantial part of last year's rise in imports reflects stock-

building by many companies in anticipation of possible import restrictions later this year. Some managers and bankers also believe that the external value of the dinar is a factor inhibiting exports. But officials deny that the dinar is overvalued and point out that it has in fact depreciated by 3 to 4 per cent against the dollar this year.

The rate of growth of both imports and exports appear to have slackened over the first quarter, but the trend is still unsatisfactory. Tourist and other invisibles like transit fees, emigrant remittances and overseas construction receipts however, are holding up well.

## Faster

Part of the problem is that incomes are rising much faster than planned, while investment is also at a high level. This partly reflects the fact that many big investment projects are in varying stages of completion and are sucking in imports without yet producing any compensating addition to output and exports. But restraint in incomes in line with productivity is clearly as difficult under the self-management system as in more conventional systems.

This situation was underlined by federal premier Veselin Djuranovic who said recently: "We behave as if our national income were twice what it actually is. Real personal incomes are growing faster than labour productivity. Last year they increased by 6 per cent—the highest rate for a decade. Investment is also too great."

This cri de coeur from the Premier was accompanied by an illuminating insight into the complex bargaining which is now built into the Yugoslav system. He stressed that the

Federal Executive Council was powerless to take effective corrective action, which could only come after consultation with the Republics and Autonomous Provinces and the approval of the self management interest communities for foreign relations.

But, although the self-management principle enshrined in the 1974 Constitution and the Associated Labour Act gives workers in the basic production units (Basic Organisations of Associated Labour—BOAL) the right and duty to decide on the wage and salary levels within their unit, this right is in practice constrained by a complex series of checks and balances which have been built into the system and which are evolving with it.

One of the constraints in the system is the Federal Institute for prices, which, in agreement with the Republics, makes a solemn annual prices agreement to which the basic associations are supposed to adhere. This year the BOALs agreed to try to keep producer price increases to an average of 8 per cent, although a priority sectors are to be allowed to raise prices higher in order to facilitate their self-financing capability or the cash flow from which to repay foreign loans.

Such agreements clearly affect the economic performance of the individual companies at the base of the system, which are required to operate efficiently and profitably. Theoretically any BOAL which operates at a loss for three years can be closed, and persisting in paying higher salaries than warranted by productivity is clearly one way of sinking into a loss-making situation.

This is far from being an automatic process, however, and last year 1,388 BOALs employing 330,000 people worked at a loss totalling 14.7bn dinars. This, however, was a big improvement over 1976 when losses were 29 per cent higher and 50 per cent more firms were making losses.

Talking to managers of some of the largest industrial groups in the highly industrialised and fast-growing areas of Slovenia and Croatia in particular, it is clear that there is a great sense of commitment to the self-management system which, although time consuming, is recognised to have considerable advantages in raising the level of participation and commitment to the enterprise and its performance.

They also make clear that although management is essentially the executive body of the Workers Council (composed of delegates from the various Basic Organisations) it is expected to manage efficiently.

The business management board, which is composed entirely of business executives, has to make technical and financial decisions in much the same way as the board of capitalist companies working for their shareholders.

As proof of the viability of the system planners and managers point to the over 170 joint venture agreements between Yugoslav and foreign enterprises through which financial autonomy of the enterprises has been reinforced. This \$1.5bn has been jointly invested over the last 10 years, some \$325m of which by foreign partners. Fiat was the pioneer in this field with its original \$10m investment in the Crvena Zastava car plant in Kragujevac, but the most important to date is the recent agreement between Dow Chemical and Lda to invest jointly in a \$750m petrochemical complex on the island of Krk. A major foreign financing operation is now planned to help finance this venture, in which limits.

The aim of this devolution of authority in the foreign exchange field is to increase the sense of responsibility of the basic organisations who actually earn the foreign exchange and whose capacity to import their required components, raw materials or plant will in future be closely linked to their own export performance. But this does not mean that the BOALs have the right to retain all the foreign exchange they earn. A substantial proportion of foreign exchange has to be sold to the Bank of Yugoslavia, which allocates it to those projects which are earmarked as priorities under the national plan, taking great care that the eventual allocations are agreeable to the various republics in the process.

The main problem at the moment is that unless there is a substantial and totally unexpected increase in exports over the second half of this year, the balance of payments deficit, and hence the foreign borrowing requirement, is going to be considerably higher than the \$1.25bn budgeted for in this year's annual plan. The Central Bank and other authorities have no doubts that a larger deficit could be financed. The gross foreign debt at the end of 1977 was around \$10bn and the debt service ratio 16.7 per cent. But the net ratio was only 12.7 per cent when reserves, foreign credits and other assets are subtracted from the gross debt.

Japan has just agreed a further \$400m credit line to finance the purchase of Japanese goods, and the country is recognised as a good credit risk.

But the point is that the authorities on all levels are not prepared to exceed their foreign borrowing target substantially and are deeply frustrated by what they see as the failure of the EEC in particular to open up their markets to Yugoslav agricultural and industrial products and so help Yugoslavia to pay for its large imports of industrial and other products from the Community.

As founder members of the non-aligned movement, Yugoslavia is also strongly critical of what it sees as the lack of political will to press for radical changes in the North-South relationship. Such changes would permit Yugoslavia and other developing nations to sell the sort of intermediate technology products they make on their own. Western machines to the less developed countries and reduce competition from the developed countries, which should instead concentrate on high technology sectors, they believe.

Falling this opening up of new markets in the developed and developing nations, Yugoslavia is now preparing to cut back investment and reduce growth from the present 7 per cent in order to cut back imports, although this will have all the usual negative effects on employment and the overall efficiency of the system.

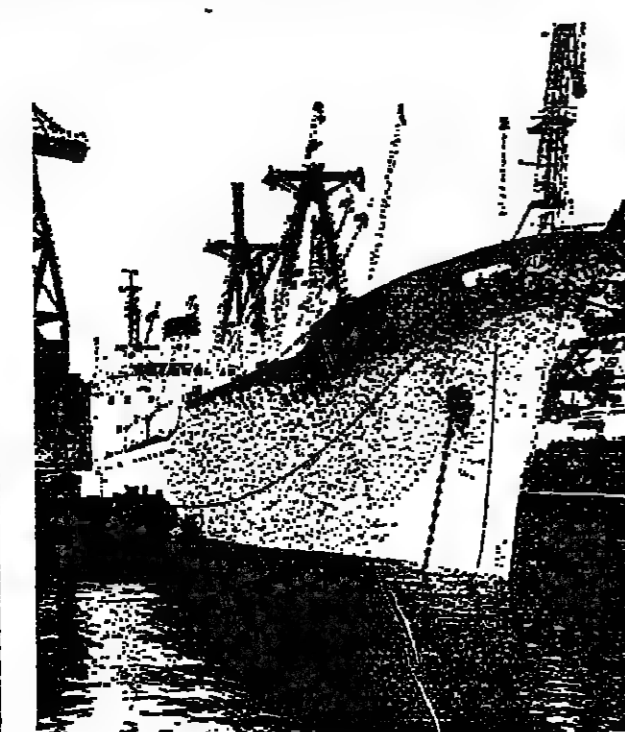
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## Faith

CONTINUED FROM PREVIOUS PAGE

their lives. It seeks to ensure that such decisions are co-ordinated through a system of delegates to the various higher institutions and kept within the overall ideological parameters by the capillary presence of the LCY.

The theory is that the Party should be an integral part of society, not something above it, issuing directives in the authoritarian manner associated with what Yugoslavs call the "management socialism" operating on the Soviet system throughout Eastern Europe.

The amnesty last November to 215 people convicted of political crimes and a further 336 who were awaiting trial is an indicator of confidence that the political system is strong enough to democratise itself in the attempt to catch up with the social and economic progress which has transformed Yugoslav society into a much more sophisticated, better educated and articulated body than the backward, divided, peasant nation of the past.

## Grasped

Yugoslavs have enthusiastically grasped their freedom, including that to travel abroad. Over 19m Yugoslavs crossed the frontiers last year. For many of these were tourist or shopping trips—as witnessed by the smartly dressed crowds—for others educational trips to study foreign languages or techniques. For nearly a million Yugoslavs it means working abroad, learning skills and sending much needed foreign currency back home.

Economically the country is developing rapidly, with major investment projects under way. Growth is marred however by inflation, a worrying balance of payments deficit and slow progress in narrowing the huge income differentials between the industrialised North and the South. In spite of the creation of 830,000 new jobs over the

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## YUGOSLAVIA III

## New UK trade deal needed

THE STORY of Anglo-Yugoslav trade in recent years is one of a widening Yugoslav trade deficit which reflects not only the international recession but also the inability on both sides to make the best of available opportunities.

The actual problem of Anglo-Yugoslav trade is spelled out in the language of figures. In 1977 British exports to Yugoslavia were £178m against £128.4m in 1976, while imports from Yugoslavia were £40.5m (£33.5m). In the first three months of this year British exports were £34.8m (£35.9m in the corresponding period of 1977) and imports £9.3m (£11.4m). This means a Yugoslav trade deficit of £134.5m in 1977 against £94.9m in 1976 and of £25.5m in the first quarter of this year against £24.5m in the first quarter of 1977. So the deficit is still rising.

Understandably, the Yugoslavs are far from happy, like those British business partners who see in Yugoslav deals more than a one-off chance. Some of the impediments to mutual trade are stubborn, particularly the Common Agricultural Policy of the EEC which reduced British imports of Yugoslav meat and meat products to a minimal level.

There are also, the Yugoslavs argue, other harmful barriers in the quiver of the EEC. They feel that if only they succeeded in renegotiating their agreement with the EEC, trade with the Nine, including Britain, will look up. But even if the negotiations yield all they want the effect on trade with Britain could be less significant than they expect.

It is not just one single factor which keeps Anglo-Yugoslav trade within relatively narrow limits. The April session of the Anglo-Yugoslav Trade Council (AYTC) in Belgrade, an annual event, was devoted to a searching debate on the reasons for the inadequate trade turnover and the quest for a cure.

The two-day session arrived at conclusions and made recommendations which could help. They may also be of practical significance since AYTC, presided over on the British side by Lord Ebbisham, ranks somewhere midway between a committee of businessmen and industrialists and a Governmental joint commission. This hybrid status means that AYTC links practicality with a measure of authority.

Yugoslavia is a major customer for British plant and equipment and would like to buy more of it, authoritative Yugoslav quarters indicate. But while so far this year Yugoslav financial quarters are not adverse to a moderate balance of payments deficit they still want Britain to import more Yugoslav goods to cover their own import costs.

## Remedial

At the AYTC Session in Belgrade each side recommended what remedial action the other ought to take, and indeed matched criticism with self-criticism. The British argued rightly that the Yugoslavs ought to watch the British market more closely. Organised visits to Britain by groups of Yugoslav business and industry representatives, participation in British exhibitions, in short the whole range of promotional activities ought to be subsidised by the appropriate Yugoslav authorities.

The activities—or sometimes also the inactivities—of the representations of Yugoslav enterprises in Britain were critically reviewed. It appears that they are not always the instruments of market intelligence they ought to be. Moreover, Yugoslav exports of manufactured goods might stand to gain by less dissipation of effort and concentration on a few star items.

It is a fact of economic life that a sustained campaign is needed to substitute manufactured goods for the meat and meat products which until 1973 accounted for over a third of Yugoslav exports. Obviously, a complete alternative, although in the 1973-77 period annual growth of exports was 18.5 per cent. This is not a bad record by any standard.

But not only have the Yugo-

slavs failed to explore to the fullest extent the British market, British business too is often ignorant of available opportunities and as a consequence is down the league table among exporters to Yugoslavia, while West Germany leads and Japan is rapidly moving up.

It is not only inadequate market exploration—though unlike the Comecon countries Yugoslavia is not a closed book, there is no foreign trade monopoly, negotiations with end-users are direct and not channelled through governmental institutions—it is simply the old story of prices which are not competitive, delivery dates which are disregarded and quality which is not always of the best. It is of course candidly admitted by Yugoslavs that in these respects some of their enterprises can vie with the British.

In Belgrade, at the AYTC Session, the Yugoslavs identified some of the goods they wish to export. They include fibre glass, non-ferrous metals, furniture, cutlery, transformers and textiles. But both sides were aware that it will be extremely difficult to balance the books bilaterally.

Hence co-operation and co-production arrangements with a view to sales on third markets could help to revitalise Anglo-Yugoslav trade. Lately, contracts concerned with the production of chemicals, textiles and metals and with shipbuilding have featured and there is also a considerable rise in technology transfer at enterprise level.

But there is a snag, as a spokesman of a leading British engineering company explained. Long-term co-operation—contracts enjoy certain taxation and profit repatriation privileges. Such privileges do not but ought to apply to short-term contracts since in view of the fact that technological progress in gather-

ing long-term contracts involves risks for both sides as they do not make allowance for process or product changes.

However, co-operation is a sector where Anglo-Yugoslav economic relations have shown a moderate degree of success. There are altogether 637 co-operation contracts in existence—many of them minor. The British share in industrial co-operation now in operation is seven.

British interest in joint venture enterprises has been less marked. These enterprises, in which the foreign partner can hold half the equity and contribute his share not only to quote the new Act which has been effective since April 17, 1978, "in foreign currency of special interest for the foreign exchange and payments balance of Yugoslavia" but also in plant, equipment, patent rights and know-how, have been relatively popular with foreign investors.

## Largest

Since 1967, when the original joint venture Act was passed, some 164 joint ventures enterprises or companies—all of them export-oriented or import-substituting—have been established. The largest of them is the \$700m DINA project, a petrochemical complex set up jointly by the Zagreb-based petroleum corporation SORINA and Dow Chemical. It is said to relate that Britain's far shares only in eight joint ventures.

Yet joint ventures could become a source of earnings preferable to counter-trade deals which British business quarters dislike and to their credit Yugoslav enterprises do not greatly welcome, although in certain instances they have concluded counter-trade contracts if with a marked lack

of enthusiasm. Moreover, the joint venture Act permits foreign participation all along the line, even in the field of banking, and excludes only insurance, commerce and social services. Thus foreign partners can also share in raw materials exploration and exploitation.

What the Yugoslavs would like to see in their dealings with Britain is a mixture of conventional trade and such new approaches as co-operation, co-production and above all joint ventures.

In either respect British experiences are limited. Eight instances are hardly enough to test the viability of joint ventures, but the West Germans, who are everywhere in Yugoslavia, have gone into joint ventures and co-operation with both feet and are doing reasonably well. Nevertheless, if goodwill alone made trade prosper, prospects for Britain would be auspicious.

Alas, conventional as well as unconventional economic links are a quid pro quo. As the British market comes to provide more openings for Yugoslav products, so the Yugoslav market will open for British plant and machinery. While there can be no guarantee, since the Yugoslav economy is not centrally controlled and each enterprise deals on its own, Yugoslavs can only spend as much foreign currency on conventional deals as they earn abroad. Hence if Britain wants to sell more, its market must offer more access to imports of goods inhibited by EEC policies.

It could be argued that trade with Yugoslavia is not worth a fight in Brussels, but the Yugoslavs might then shift imports and exports to the U.S., Russia and Japan. The situation is becoming acute and there is little time for procrastination.

Kurt Weisskopf

## Export performance must be improved

YUGOSLAVIA FACES several economic problems: inflation, structural imbalances, unemployment and the re-integration of returning guest workers. Yet none is so difficult as the balance of trade and consequent balance of payments deficit, which is the major limiting factor to faster economic growth.

Yet, the Yugoslavs firmly believe that, with more goodwill on the part of their major Western partners, especially the EEC—in addition to their own increased efforts—it could be of more bearable proportions. Feeling that such goodwill is lacking if not in words then certainly in deeds, they are frustrated and bitter. What exactly can be done is another matter. The solution is to change trade patterns, sell and buy more outside the Common Market, but that is easier said than done.

Apart from Italy, where the ratio of exports to imports is comparatively favourable, trade with EEC countries is extremely unbalanced. Invisibles, such as worker remittances and earnings from tourism, in some cases compensate for part of the trade gap, but the Yugoslavs have been pointing out that those sources of foreign exchange are subject to sudden changes, as when Yugoslav workers have to return home.

Alternatives to the EEC trade include the U.S., EFTA and Japan, the socialist countries of Eastern Europe and developing countries. Trade with the developing countries is increasing and the aim is to increase it to a quarter of the total. Trade with socialist countries has its limit at about the present one third of the total—beyond which the Yugoslavs would be reluctant to go, no matter how bitter they feel about the EEC.

Thus, as far as trade with the West is concerned, the EEC can

only be substituted for by either the U.S. or Japan, both of which are eager to sell more in Yugoslavia, as shown by two recent developments. Earlier this month the president and chairman of the Ex-Im Bank of the U.S., Mr. John L. Moore, Jr., signed in Belgrade two agreements under which in the future the bank will not require Government guarantees for credits extended to Yugoslav firms but will deal primarily with Yugoslav commercial banks. Two months ago his Japanese counterpart was in Belgrade for the signing of a \$400m credit line which nine Japanese trading firms have given Yugoslav industrial and other companies. Other developed countries with which trade could be developed are Canada and Australia.

## Declaration

As far as the EEC is concerned, after a joint declaration signed in Belgrade in December 1976 expressing the political and economic interest of the Community in Yugoslav independence and prosperity, not much happened until February 1978, when negotiations started on a new agreement to replace the current five year trade agreement which expires at the end of August. Right from the outset the Yugoslavs told the commission that the mandate it has been given was unacceptable. They submitted their proposals for a more comprehensive agreement.

Yugoslavia would like to include in the agreement, in addition to trade, co-operation in various other fields, such as financial, industrial and technical co-operation, transport, tourism, environmental protection and social questions, mainly regarding Yugoslav guest workers. It would also like goods which will be manufactured in the free zone to be set up with Italy under the Osimo agreement to be considered as community products.

Regarding trade, the Yugoslavs would like some tariff and other obstacles removed, a more liberal application of the general system of preferences the right to participate in public tenders, quotas for imports of some agricultural produce, free of variable duties. They insist that in a crisis no unilateral decisions by the EEC should be taken but rather that solutions

should be found in mutual consultations. The EEC Council of Ministers is scheduled to deliberate again on the new mandate to be given the commission on June 27, and negotiations will resume in mid-July. The feeling in Belgrade is that negotiations should not drag on indefinitely but also that they should not be rushed. If need be, the present agreement could be extended for a few months.

It would be wrong to infer from all this that the Yugoslavs expect others to solve their problems for them. They have been well aware of their shortcomings in foreign trade, and are openly discussing them. Their first conclusion has been that they must organise better internally and abroad. It has been decided to establish joint representative offices abroad which would bring together all representatives of Yugoslav enterprises, banks, etc. This, it is hoped, will result in better co-ordination, elimination of mutual competition and also in better control.

Much more effort will have to be paid to market research and to fairs, exhibitions, promotion tours and other tools familiar to more experienced traders. Fashions and tastes will have to be taken into account. Co-operation with local businessmen will have to be improved. Much more attention has to be paid to co-operation with firms from the developed countries in third markets, especially in the LDCs.

Another field which leaves much to be desired is informing foreigners willing to invest, or sell or buy in Yugoslavia of the regulations in various fields; the more so since new laws have been in effect this year about which not enough is known abroad. Examples are joint ventures, foreign firms' representative offices, counter-trade, banking and credit systems and the foreign trade regime.

Yugoslavs also admit that their products are often not competitive enough, be it because of their price (in that respect some local critics think that the currency is overvalued) or quality and delivery terms. The awareness of these shortcomings is acute, and recognition that higher exports are the prerequisite of growth and investment is now being impressed on everybody.

Aleksandar Lebl  
Belgrade Correspondent



KRKA

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There are not many factories that can pride themselves on such rapid development and expansion as KRKA. In 1954, a Pharmaceutical Laboratory was established at which only nine people were employed but in 1978 the Pharmaceutical and Chemical Works KRKA employ more than 2,800 people, among them 470 university graduates.

To ensure more and more successful manufacture of finished products, in KRKA's programme much emphasis is placed on intensified production of basic pharmaceutical substances.

## Biosynthesis

There are promising possibilities in the fermentation plant where antibiotics, vitamins and enzymes are produced. On the European scale, the present capacity of this plant is equal to that of medium-size enterprises, but it will be greatly enlarged by 1980.

Since 1975, KRKA has been the holder of the FDA product licence for the antibiotics oxytetracycline dihydrate, oxytetracycline hydrochloride and bacitracin zinc, feed grade. In addition to these, oxytetracycline, feed grade is produced and the technological process for the synthesis of vitamin B<sub>12</sub> feed grade has already been developed.

Continuous operation of this as well as of the other plants is ensured by KRKA's own energy supply equipment.

Environment contamination and river pollution are prevented, or reduced to a minimum, by using a modern and highly efficient waste-water purifying system.

## Chemical synthesis

In the plant for flexible chemical synthesis, various important pharmaceutical substances are synthesized using KRKA's own technological processes which were developed at the KRKA Institute of Research and Development. For all these inventions patents were either granted or applied for.

The most important areas of production of pharmaceutical substances are as follows:

tranquillizers, 1, 4-benzodiazepines (diazepam, medazepam); semi-synthetic betalactam antibiotics (ampicillin, flucloxacillin, cefalexin); iodinated contrast media (diatrizoic and acetrizic acid); others (centrophoxin, clofibrate, tetraethylthiuramdisulphide, nicamide, etc.)

## Final products

The drugs are manufactured on the assembly line in a building with a floor space of 16,000 square metres. The capacity, sufficient at present, can be rapidly expanded in case of need. KRKA's 176 pharmaceutical specialties cover every field of modern drug therapy. Many of them are manufactured in co-operation with world-wide manufacturers of pharmaceuticals.

## Institute of Research and Development

At the KRKA Institute of Research and Development, fundamental and applied researches are carried out and innovative processes as well as KRKA's development are studied. The research work has produced 74 inventions, 308 patent applications and 182 patents granted not only in Yugoslavia but also in many European countries, U.S.A., Canada, Japan, India, Australia and elsewhere.

## Medicinal herbs

In addition to the modern pharmaceutical manufacture, KRKA appreciates and cultivates the traditional gathering, treating and use of medicinal herbs. These herbs, their extracts and essential oils are exported to numerous countries all over the world.

## Cosmetics

As body care contributes to human well-being, KRKA allocated a considerable part of their production capacity to the manufacture of various cosmetics.

## Thermae

Two thermal establishments in the neighbourhood of the

KRKA Works, one for the treatment of rheumatic diseases and the other for cardio-vascular and diseases of the nervous system, joined the KRKA enterprise. They have grown into well-known recreation and protective, as well as therapeutic and restorative, centres.

## Export and activity abroad

Since 1966, when the first noticeable results were obtained, the value of exports has been constantly increasing. In 1977, it reached US\$ 22,869,000.

KRKA export their products to West European and developed overseas countries, to the COMECON countries and, more and more, to the developing countries in Africa, Asia and South America. To West European and developed overseas countries, pharmaceutical substances, medicinal herbs and mushrooms are exported, and to the COMECON countries pharmaceutical substances and final drugs. With some of the COMECON countries there is also a successful co-operation in new drug research; knowledge as well as specialists are exchanged.

There are only a few developing countries in Africa and Asia in whose markets KRKA's products are not to be found. Besides exporting activity, KRKA enters technical relations with pharmacologists in numerous developing countries and render them not only professional but also technological assistance. So, in 1974, the joint enterprise Dawa Pharmaceuticals Ltd. was founded in Kenya. The KRKA founder's share amounted to one third of the required capital, the rest was shared by Kenyan investors. Both the construction and the equipment of the factory were entrusted to KRKA and the first modern pharmaceutical factory in East Africa was ready for production in 1977.

With such creative co-operation KRKA assist the developing countries in their endeavours for a better life.

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Udružena Beogradska Banka is a financial association through which the associated labour carries out a part of its financial operations, such as:

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## YUGOSLAVIA IV

# Farm incomes rising

LIKE MANY other developing countries which tended to overlook agriculture in the initial enthusiasm for rapid industrialisation, Yugoslavia long ago came round to the view that a balanced development of the agricultural sector is vital to progress of the economy as a whole.

Formalisation of this rethinking came with publication of the long-term Green Plan for agriculture in 1973; the current five-year plan aims at self-sufficiency in agriculture by 1980 and the development of exportable surpluses beyond that.

A record harvest in 1976 boosted agricultural output by a healthy 7.3 per cent from the rather depressed 1975 levels when the weather was unfavourable. This performance was followed by a further 3.3 per cent increase last year which, it is hoped, will be matched again this year given reasonable weather.

These figures show a considerable improvement on the average increase in agricultural production over the 1963-73 decade when agricultural output only improved on average by 2.5 per cent annually.

They also show that Yugoslavia is indeed on the path to agricultural self-sufficiency with all that this entails both in reducing the burden on the balance of payments and creating the conditions both for a sustained demand for agricultural chemicals and equipment and a rational distribution of population.

For all its rapid economic growth in recent years Yugoslavia still has a chronic unemployment problem which has been exacerbated by the return of workers from West Germany and elsewhere. Modern capital-intensive industry is not able to create employment fast enough to absorb this excess labour. Incentives to modernise agriculture, while improving the attractiveness of rural life

generally, make considerable sense under these circumstances.

Steadily rising farm income is one way of achieving this and a system of guaranteed minimum prices and stockpile arrangements has seen agricultural producer prices rising by an average 14 per cent annually over the last five years. But major investment is also taking place to boost output of fertilisers, tractors and farm equipment of all kinds together with major irrigation and re-afforestation schemes.

The most ambitious irrigation and flood control project now under way is the giant Murava basin complex, a 20-year exercise due for completion in 1985 which will bring an end to destructive flooding in Serbia and create 280,000 hectares of highly fertile land on which two harvests annually will be possible. It will also generate 952,000 kW hours of electricity and protect a further 156,000 hectares from flooding and erosion.

This year also sees the completion of the 20-year 13bn dinar Danube-Tisa-Danube hydro system whose dams and canals have created the means to irrigate 300,000 hectares in the Vojvodina, the fertile plain which stretches north of Belgrade to the Hungarian frontier and beyond.

The Vojvodina plain is Yugoslavia's most important farming area in a country with a high proportion of mountains and steep valleys. It accounts for over half the total Yugoslav farming output and last year produced 3.4m tonnes of maize and 2.75m tonnes of wheat. This compares with last year's total Yugoslav crop of 5.6m tonnes of wheat and a record 9.8m tonnes of maize, of which 900,000 tonnes were exported.

Maize production is one of the big success stories of Yugoslav agriculture. Yields averaged out at 42.5 centners per hectare last year, a new record, and

with the planting of improved hybrids and a greater area this year a maize harvest in excess of 100 tonnes is confidently expected.

But the growth of maize output is only part of a comprehensive transformation of the crop pattern under the influence of a powerful drive to increase output of industrial crops like sunflower, soya and sugar beet. Last year's record sugar crop of 5.3m tonnes gave Yugoslavia self-sufficiency in that commodity for the first time. Over 480,000 tonnes of sunflower seed were also produced and a 25 per cent increase in planting has taken place this spring.

### Rapidly

At the same time mechanisation is proceeding rapidly, as is the supply of fertilisers from big new fertiliser plants now coming on stream or under construction—the giant Kutina plant in Croatia, now being expanded through a \$155m Euro-dollar term loan, and five other major complexes.

This year the farm tractor population is officially estimated to be 50,000 units higher than last year, bringing the total to 350,000, or one for every 25 hectares. At the same time Yugoslavia has used its own agricultural modernisation programme to build up a useful export trade. Last year exports of tractors and farm machinery totalled \$60m, with a target of \$100m annually by the end of the decade.

What is perhaps most surprising about Yugoslavia's agricultural performance is that it has taken place within the overall context of a highly fragmented and traditional peasant farming structure. Some 80 per cent of the farms and nearly 70 per cent of agricultural output comes from private farmers still

farmed on variations of the medieval strip system. This is immediately apparent when flying over large areas of the

country. Check by foot, however, are to be found the large modern agricultural combines like the Poljoprivredni Kombinat (PKP) showcase agro-business combine of 180,000 hectares and 20,000 workers some 50 miles north east of Belgrade.

Organised into over 60 Organisations of Associated Labour and run on impeccable self-management lines, PKP produces agricultural raw materials, processes them into a vast range of packaged foodstuffs, meat and dairy products and preserves in 16 factories and then markets them through its own network of 500 shops and self-service stores, hotels and tourist facilities all over Yugoslavia. It also carries on a significant export trade, coupled with technical assistance from its own scientists and food technologists, for farmers in developing countries.

Significantly PKP also co-operates with some 50,000 small private farmers who supply the combine and receive technical assistance and guaranteed market in exchange. This is highly significant because Yugoslavia, having reassured its peasants that private farms have a sure future, believes that the best way to improve agriculture across the board is to step up mutually advantageous co-operation between the large socialised combines and private farmers on a voluntary basis. Credit and other incentives are also provided for private farmers to develop their own producer co-operatives on a pattern similar to those in the Emilia Romagna region in neighbouring Italy.

In the long run the social sector is expected to increase gradually in size as older farmers retire and new land becomes available through reclamation and irrigation schemes. It is set to expand again the future of co-operation by 250,000 hectares in the course of the current five-year plan.

Productivity is also growing much faster, with average gains of around 8 per cent annually on socialised farms against 3 per cent on private land. The hope is that the evident productivity of modern farming methods will continue to act as a powerful persuasion to modernisation throughout the agricultural system.

Further modernisation of Yugoslav agriculture looks like being one area for potential

co-operation with British agricultural equipment makers and suppliers of know-how. But here again the future of co-operation is strongly linked to the establishment of some kind of equitable arrangement for the export of Yugoslav baby beef and other agricultural products to the EEC. The way to make the Community eat its Yugoslav meat exports deeply concerned Yugoslavia and has raised some serious questions about the usefulness of further development in the end result is the production of marketable surpluses under present marketing arrangements.

Further modernisation of Yugoslav agriculture looks like being one area for potential

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# Foreign policy retains its independence

IRONICALLY, THE international pre-requisites for Yugoslavia's determined foreign policy of national independence and non-alignment were created by a typical act of Great Power arrogance. They stem from the time when Winston Churchill, discussing the post-war shape of Europe, tossed over to Stalin a piece of paper on which was jotted "Yugoslavia 50-50". Stalin nodded agreement. When Tito heard of this he was reportedly livid at being treated as "the short change of international politics."

He subsequently took advantage of this tacit acceptance of a shared sphere of influence to break free from Soviet hegemony without either reneging on the Communist nature of the post-war Yugoslav State or joining the Western Alliance.

Thirty years after the break with Cominform Yugoslavia's influence in the world is infinitely greater than its size, and in many of the conflicts

population or resources would themselves warrant. Much of the credit goes to President Tito himself, lone survivor of a world of former political giants and stirring if dangerous times.

His own personal prestige, and by reflection that of the Yugoslavia he represents, reached a new height with his recent official visits first to Moscow and then on via North Korea to Peking and then to Washington with a stop-off in London.

But Yugoslavia's foreign policy goes far beyond the establishment of good relations with all three superpowers, vital though this is to Yugoslavia's equilibrium.

President Tito's experience and prestige as a founder-member of the non-aligned movement also makes Yugoslavia a voice to be listened to in discussions on the North-South dialogue, the Middle East

which have broken out between members of the movement.

Behind the voice lies an active and qualified corps of diplomats, and a highly foreign affairs-orientated news agency, Tanjug. In the latest government reshuffle the former Foreign Minister, Milos Minic, was replaced by Josip Vrhovec, a 50-year-old ex-journalist and former LCY Presidency member from Croatia.

It was largely a reflection of Yugoslavia's position between East and West that Belgrade was chosen for the follow-up meeting to the Helsinki Conference on European Security.

There the Yugoslav hosts tried to steer the conference away from a sterile confrontation on the human rights issue, seen as a propaganda contest between the two super powers, and on to a discussion of some of the other issues dear to Yugoslavia's heart, such as measures to reduce military tensions and greater co-operation in the economic field.

It was a disappointment to Yugoslavia that the Belgrade conference was not a great success, although they share the general feeling that with the decision to hold another follow-up meeting in Madrid at least the principle of continued monitoring has been agreed.

Now Belgrade is preparing for another important international meeting — the Ministerial meeting of the non-aligned countries which meets there in July to discuss the agenda for the forthcoming non-aligned summit due to be held in Havana next year.

It promises to be a potentially stormy affair. The Cuban role in Africa will be high up on the agenda, which will also review the recent UN special session on disarmament, a major initiative of the non-aligned movement, and the slow progress in the development of a new world economic order.

But the situation in Africa is likely to dominate discussions, with Yugoslavia in particular making no bones about its own disquiet concerning the apparent conflict between Cuba's role in Africa and its membership of the non-aligned movement.

Yugoslavia's views do not differ markedly from those expressed by President Carter and Chancellor Schmidt recently. Both described Cuba's supposed non-aligned status as "a bad joke" in view of its role as an instrument of Soviet foreign policy.

**Opponent**

The Yugoslav attitude appears to be against any moves to expel Cuba from the movement, as its own experience makes it an opponent of anathema of any kind. Rather can Yugoslavia be expected to argue for the principle of "Africa for the Africans" and against super power interference of any kind in the affairs of the continent.

This of course is partly a question of general principles and partly the result of Yugoslav preoccupation with the principle of non-interference because of its own obsession with the thought of possible future interference by the Yugoslav position betrays its

CONTINUED ON NEXT PAGE



## What is ISKRA?

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Known for its products world-wide ISKRA has seven commercial companies abroad and eight representatives with a total turnover of US\$150m in 1977, of which US\$82m was for export.

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## A new status for small business

ALTHOUGH THE new 1974 constitution specifically provided a new legal status for the formation of small private enterprises, progress in setting them up has been patchy so far.

The basic thinking behind the setting up of the so-called Contractual Organisations of Associated Labour (COAL) was to mobilise, inter alia, the capital of returning emigrant workers and provide more employment without making demands on the already stretched socialised sector. The new COALs are to have a strictly limited time span, however, before eventually being transformed into the conventional Basic Organisation (BOAL) and becoming an integral part of the self-management socialised sector.

But the COALs do represent a significant advance in several respects on the previous rules permitting small-scale private enterprises, mainly in the service sector.

While the traditional private sector employer may employ a few workers only—the number being different in various republics and in various fields—there is no such limit for contractual organisations. In addition, they may be established in fields which are otherwise reserved for the socialised sector. Those wishing to found a contractual organisation first make a mutual contract as to what each of them will

contribute in money, equipment and other resources and who will be the manager. Then they sign a contract with the commune on the territory of which they will have the seat of their organisation, after which they hire workers and start whatever activity they chose.

That person (or persons) has the right to be the executive of the contractual organisation and to be paid for that on the basis of an agreement concluded between all those working in the organisation. He also has the right to receive part of the income generated with the resources he brought into the organisation. These rights, however, are for a limited number of years. Each year he gets back part of his capital, until after a period of time it is all paid back. At that moment his other rights cease, except the right to continue working in the organisation, which then stops being a Contractual Organisation and renames itself Basic Organisation of Associated Labour, as in the socialised sector, a part of which it has now become. The former manager may remain in this function, this time not in his own right but only if he is elected by the workers of the Basic Organisation.

**Chosen**

The form of Contractual Organisation has been chosen because it serves several purposes. First, no social capital is needed and privately owned money is mobilised, which has been relatively abundant, especially among returning guest workers. Second the organisations should satisfy the growing demand for goods and services in which the socialised sector is either not interested, or is unable to provide quickly enough. In Yugoslavia there has been a growing need for services of all kinds, repair shops, and the like. Third, new jobs can be created comparatively quickly and with lower investment than in the public sector. This is very important in view of the high number of job seekers, in spite of very impressive figures of new jobs created each year. It has been estimated that several hundred thousand people could find employment in the small business sector within a short period of time.

For all those reasons it has been the proclaimed policy of the League of Communists and of the Government to support the small business sector. be it in its classical form of private handicraft, the newly designed Contractual Organisations, or the socialised organisations dealing in services and production on a small scale. In spite of that, however, very little has

been done in the four years since the 10th congress of the LCY and the adoption of the new constitution.

The reasons for this seem to lie with local governments, who distrust any private initiative in the belief that it will inevitably strengthen the capitalist elements in society and endanger socialism. Therefore they heavily tax private business, do not provide for space, etc. Repeated criticism has not changed their opposition. The result is that there are regions, even whole republics, with no Contractual Organisation at all. On the other hand in some republics Contractual Organisations have been increasing in number and prospering.

Macdonia, for example has no Contractual Organisations. Its premier told foreign correspondents a few months ago that there has been a lack of understanding on the part of local authorities. The first Contractual Organisation in Serbia was founded late last year in a village, Kobisnica, in the eastern part of the republic, employing initially 29 workers, 25 of them women. It was founded by two former guest workers. They receive a 30 per cent share of the income and the labour force the rest.

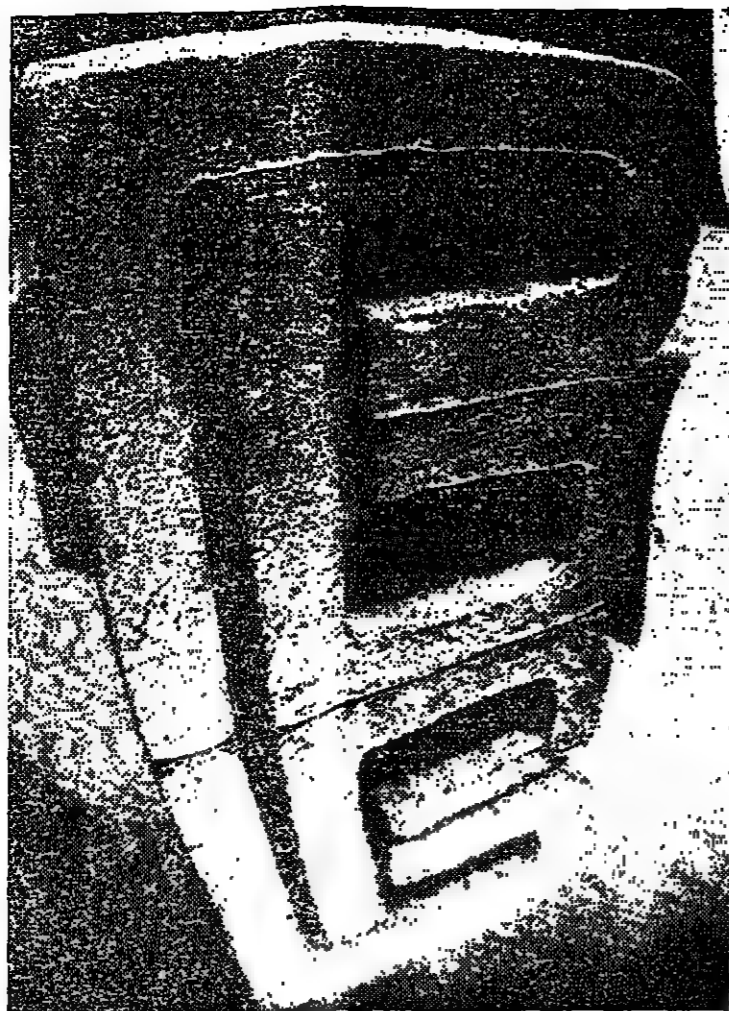
Their contract with the respective commune is for five years, after which the organisation will become a BOAL. Belgrade has just one Contractual Organisation founded recently.

As opposed to that, Slovenia has been supporting Contractual Organisations for years now and has more than the rest of Yugoslavia. 30 out of the total of 37. Some have been publicised by the Press, like two organisations founded by a couple, Valerija and Franjo Verdujak in the village of Grize pri Zalcu, which together had a total revenue of 13.5m dinars (£400,000) last year and employed 12 people. The two owners earned some 800,000 dinars (£23,000) after tax, which is approximately 12 times more than the average for a Yugoslav worker.

In view of the widespread suspicion of many local authorities it was a big surprise when among the 16 winners of the First of May awards of the Yugoslav Chamber of Economy from all over the country there was a Contractual Organisation of Associated Labour. It was, of course, from Slovenia: Tajfun of Planina pri Sevnici. This has been interpreted as signalling the interest which the Yugoslav community has in those organisations. Whether the message will be understood by those for whom it has been meant remains to be seen.

Aleksandar Lebl

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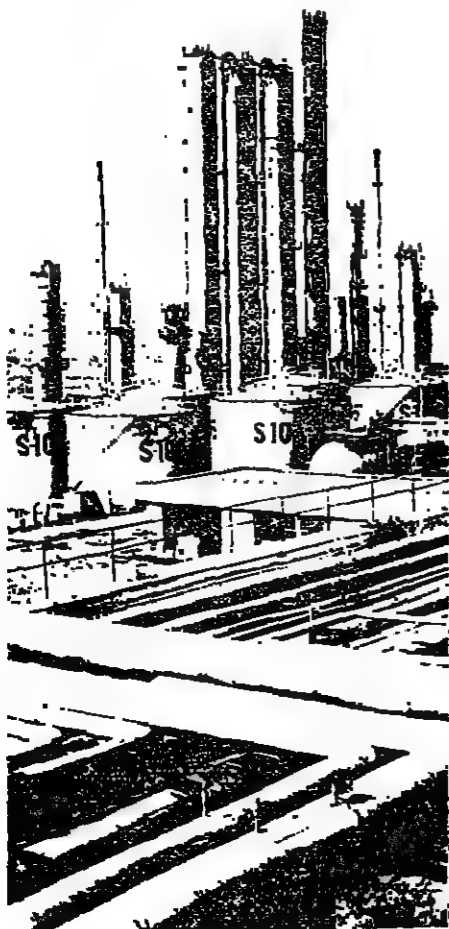
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## YUGOSLAVIA VI

# Tourism breaks records

AFTER SEVERAL years of stagnation there seems to be again a tourist boom in Yugoslavia. Unless something unexpected happens 1978 could be a record year both in the number of foreign visitors and in foreign exchange earnings. The tourist season has started earlier than usual, and for the peak season most hotels and other facilities are fully booked. Britain is one of the countries from which a spectacular increase in the number of visitors has been expected, after a 33 per cent fall last year.

Over the first quarter of this year 19 per cent more foreign visitors came to Yugoslavia. The first quarter, however, accounts for only 8 per cent of the total annual turnover. April figures were not so good but May and June seem to be very promising.

Up to 15 per cent more visitors and a 20 per cent rise in foreign exchange earnings are now expected by some forecasters. Last year 5.6m foreign tourists came to Yugoslavia, producing revenue of \$845m. The tourist organisations admit that the boom has not been entirely due to their own efforts. Outside factors, such as the economic recovery in some countries, including the UK, have helped, together with insecurity in some tourist countries and greater price increases in countries directly competing with Yugoslavia.

The Yugoslav tourist industry has tried to keep prices as low as possible, with only minor increases for some categories of hotels, and hotels have

become more flexible in selling their services. Thus one need not now order full board but only room and breakfast, or just one meal. There is also a wider choice of excursions, sports facilities and entertainment, although here much more has to be done. One sore point is the price of drinks, especially imported ones like whisky or cognac. Here the tourist organisations are fighting with the Government to bring prices into line with those in neighbouring countries.

This year the number of British tourists to Yugoslavia will rise to some 5 per cent of the British market. In the past couple of years it has fallen to about 3 per cent. Earlier this year a 12-member delegation from the British Tour Operators study group discussed in Belgrade ways of increasing the number of British tourists. They said that demand had been building up and that the availability of seats in chartered planes has been the main limiting factor. They also mentioned the pricing structure of Yugoslav hotels, the wide differential between high and low season prices and the high prices for additional services as other obstacles. They insisted that the Yugoslav tourist industry should guarantee the quality of services offered, especially in view of the strict consumer protection legislation in the UK.

It has been agreed that future contracts between British tour operators and Yugoslav hotels will be made in sterling instead of U.S. dollars, and that prices will go up only



in line with British inflation. One of the reasons behind the expansion of tourism has been the improved highway network, since a substantial transit country for millions of number of visitors, especially Greeks and Turks working from continental Europe, come by car. Some 40,000 km have been constructed in the post-war period but the network is still far from adequate. The Middle East.

Yugoslavia is now a motorised country itself with some 2m cars and close to 300,000 buses and commercial vehicles. Efforts are under way to accelerate the construction of a modern four-lane motorway, but more resources are needed. Yugoslavia hopes that these will be provided by the World Bank. This includes west and central European countries as well as the European Investment Bank and the World Bank.

## Industrial growth

INDUSTRY'S ROLE as most the dynamic factor in the Yugoslav economy was confirmed again last year with a 9.6 per cent rate of growth. This has slowed down to around 7.6 per cent over the first four months of this year. But this growth has not been without its difficulties. Growth of industry has been accompanied by significant structural changes. The electrical, oil extraction and processing, metal processing, chemical and energy industries have been growing at above average rates, but some older industries have been experiencing difficulties.

The growth of processing industries has outstripped the ability of the local raw material, energy and equipment industries to supply it and to find export markets for its products. This means that development of the basis of a well-balanced economy has been too slow; and this is one of the roots of the balance of payments problem. Nearly two-thirds of Yugoslav imports have been raw and semi-manufactured materials and one-quarter equipment, while consumer goods have played only a minor role. Thus the main task in the industrial sector has been to reduce dependence on imports and increase both exports and import substitution. This is being attempted by investing

heavily in energy and basic raw materials and giving those industries higher tariff protection, while requiring foreign suppliers of equipment to use Yugoslav firms as subcontractors or enter into buy-back arrangements. Some local producers now manufacture high quality equipment, and the share of imports in investment should decline from the current 30 per cent figure.

### Production

Under-utilisation of capacity in processing industries contributes towards their high production costs and, combined with general inflation, is threatening Yugoslav exports competitively. There has also been the problem of duplicated investment. The Yugoslav system rules out state interference in investment decision making, but no substitute has been found in practice to avoid duplication while still allowing healthy competition.

At the moment there are some 29,000 projects under construction in Yugoslavia, the bulk of them in industry. Most are comparatively small projects, for the modernisation and expansion of existing facilities. But 186 are major projects worth over YD 500m (£14.5m) each.

Here the problem has been that the investment front has been too wide, that the construction and gestation periods have been too long and that the technology used has sometimes been already obsolete. It has been hard to find finance for all the projects. Another problem for Yugoslav industry is the heavy burden of various taxes and quotas. Industry has been the main financier of social services, which in the words of Premier Djuranovic are more appropriate to a society with per capita national income of \$4,000 rather than Yugoslavia's \$1,800. The so-called free exchange of labour whereby producers of goods sit together with the suppliers of various services (education, health protection, social security, etc.) and decide how much money the latter will get for what they perform has not eased the burden but has too often increased it.

Enumerating some of Yugoslavia's problems is not saying that its future is bleak. On the contrary it seems that the infant industry period is approaching its end. In three decades industry has created strong foundations: machine tools here are "younger" than in many other highly industrialised countries, skilled

workers have accumulated expertise in many fields, and a large number of experts and specialists have been educated. Yugoslavia still needs foreign technology and know-how, but it now has some to offer as well. It is a good partner both for joint ventures in Yugoslavia and in third countries.

This is particularly true of the construction industry which has been very active. Last year it built \$1,259m worth of projects abroad and has capacity for even more. Its weakness is the lack of finance to credit more projects, and this is another field where co-operation with European countries from many companies and financial institutions in the developed countries would be desirable and advantageous to both sides.

The air fleet has also been expanded and modernised. Yugoslav cities and coastal resorts have good connections with all parts of the world. JAT, the national airline, will sell some 5m seats this year. Its planes now fly to Australia and North America and it has bought several DC-10s.

Railways suffer from road competition but they still are very important in passenger traffic. They are also being modernised, with new rolling stock and new services—can be carried on some passenger trains. The Belgrade-Bar railway, finished three years ago, has also become one of the major tourist attractions. Finally, another improvement in communications should also be mentioned. It is now possible to dial directly to most field where co-operation with European countries from many companies and financial institutions in the developed countries would be desirable and advantageous to both sides.

## Foreign policy

CONTINUED FROM PREVIOUS PAGE

old habits of thinking in terms of centrally planned bilateral trading. Part of the problem is that Yugoslavia, like so many other developing countries, first does not produce goods which are needed on developed markets and secondly lacks the marketing skills and aggressive ness to sell what goods and services it does have to offer.

This criticism is partly accepted by the Yugoslavs, but in arguing for a much wider negotiating mandate in the forthcoming EEC-Yugoslav negotiations they tend to widen the argument, assuming their role as spokesmen for the developing world, diplomats and trade experts argue that what is at stake are much larger issues of access to markets for developing countries in general. In Yugoslavia's case, they also argue that an ungenerous and narrow-minded economic approach to Yugoslavia's problems could force the country either to reduce its imports from the EEC, or step up its trade with the Comecon countries—or both.

It is both to increase the proportion of its trade with Comecon for both political and economic reasons. First, it does not want to be in a position where pressure for political or other concessions could be reinforced by economic arguments such as a reduction of oil or other strategic products. Secondly, it believes that the future of the self-management system must lie in increasing the general efficiency and the technical level of Yugoslav enterprises to a Western level.

markets and Western marketing skills. This will never be achieved if an increasing proportion of Yugoslav trade is done with the centrally planned economies with their comfortable long-term purchasing arrangements and lack of stimulus for improvement.

Significantly, Yugoslav officials believe that this point is much more sympathetically understood by American than by the Community, while other trading partners like Japan are also scouring Yugoslavia in search of products to buy in exchange for their increased exports.

### Security

Looking around the diplomatic horizon as seen from Belgrade, however, Yugoslavia's principal aim of preserving its security, independence and non-alignment appears to be assured.

The Treaty of Osimo, which finally resolved the frontier between Italy and Yugoslavia, means that Yugoslavia's principal border with the West is now one of the most relaxed anywhere in the world. Slovene unhappiness with the treatment of its minorities in Carinthia and Burgenland remains an issue in Austro-Yugoslav relations. But those with its direct Comecon neighbours are generally good, except in the case of Bulgaria, where the Macedonian question bubbles beneath the surface. For the average Yugoslav all this is translated in freedom to travel all over the world without a visa in most cases, if he has the money to do so. No visas are required for foreigners to enter Yugoslavia

either, except in special cases. Visas are required to and from the Soviet Union, for example, because the Russians insist on putting Yugoslavia in the category of a Western country for these purposes.

It all seems very relaxed. Once again, however, behind this genuine desire for maximum freedom and the minimum of bureaucratic intervention the Yugoslav authorities take the security question very seriously. The armed forces are reportedly well-equipped and a decentralised system of "global defence" means that millions of Yugoslav's can be mobilised within hours.

At the same time the secret police keep close tabs on the extremist nationalist groups and suspected Stalinists, both in Yugoslavia and abroad.

One of the leading Stalinists, Mileta Perovic, was abducted outside Yugoslavia, according to his defence lawyer, and then arrested and brought to trial in Yugoslavia on charges of plotting against the State. For this he recently received a 20-year jail sentence. The Yugoslav authorities also responded to the recent West German request for the extradition of suspected West German terrorists from Yugoslavia with a quid pro quo demand for the extradition of Croatian extremists from West Germany.

It is quite clear that the Yugoslavs have taken President Lincoln's dictum that the "price of freedom is eternal vigilance" very closely to heart. This allows Yugoslavia to relax from a position of strength and that is clearly how they intend to keep it.

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